

**MOHAWKS OF THE BAY OF QUINTE
CONSOLIDATED FINANCIAL STATEMENTS
AS AT MARCH 31, 2020**

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

March 31, 2020

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.

Dred Maracle Chief

Sept 29, 2020

Angela M. Maracle Chief Administrative Officer

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Mohawks of the Bay of Quinte (the Band), which comprise the consolidated statement of financial position as at March 31, 2020 and the consolidated statements of operations, change in net assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Band as at March 31, 2020, 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 Consolidated 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 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 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 prescribed for governments as recommended by the Public Sector Accounting Board of Chartered Professional Accountants Canada 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 these consolidated 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.

**INDEPENDENT AUDITOR'S REPORT
(CONT'D)**

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 Band 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.

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
September 25, 2020

Chartered Professional Accountants
Licensed Public Accountants

WILKINSON & COMPANY LLP - CHARTERED PROFESSIONAL ACCOUNTANTS

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MOHAWKS OF THE BAY OF QUINTE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2020

	2020 Consolidated \$	2019 Consolidated \$ (Restated - Note 2)
FINANCIAL ASSETS		
Cash - Note 5	25,891,878	28,231,942
Marketable securities - Note 6	16,790,785	11,086,296
Accounts receivable - Note 7	23,290,271	24,370,479
Due from Ernestown LP - Note 8	39,484	71,250
Due from Loyalist Solar LP - Note 9	41,607	
Investment in Loyalist Solar LP - Note 10	14,803,144	14,661,149
<u>Funds held in trust with Indigenous Services Canada</u>	<u>566,784</u>	<u>551,061</u>
	<hr/> <u>81,423,953</u>	<hr/> <u>78,972,177</u>
LIABILITIES		
Community Development Fund - Note 27	2,646,077	2,372,212
Accounts payable and accrued liabilities	6,668,502	3,670,355
Security deposits and prepaids	174,679	174,462
Deferred revenue - Note 13	11,908,758	17,284,059
Mortgage downpayments	17,453	6,363
Loans payable - Note 14, 15	7,972,212	7,724,121
<u>Loans payable - Yaote LS Solar Inc. - Note 16</u>	<u>15,882,035</u>	<u>14,363,649</u>
	<hr/> <u>45,269,716</u>	<hr/> <u>45,595,221</u>
NET ASSETS	<u>36,154,237</u>	<u>33,376,956</u>
NON-FINANCIAL ASSETS		
Tangible capital assets - Note 17	89,422,553	76,976,059
<u>Prepaid expenses and inventories</u>	<u>74,394</u>	<u>66,112</u>
	<hr/> <u>89,496,947</u>	<hr/> <u>77,042,171</u>
<u>ACCUMULATED SURPLUS - Note 23</u>	<u>125,651,184</u>	<u>110,419,127</u>
CONTINGENCIES - Note 26		

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, 2020

	2020	2019	
	Budget	Actual	Actual
	\$	\$	\$
REVENUES			(Restated - Note 2)
Indigenous Services Canada	42,061,669	26,078,590	14,114,420
Health and Welfare	3,581,728	2,795,449	2,788,212
Canada Mortgage and Housing Corporation	324,730	304,862	272,840
Kagita Mikam	116,990	173,111	406,053
Other contributions from Federal government	3,750,000	32,406	77,006
Contributions from Province of Ontario	8,391,900	6,510,551	5,793,923
Association of Iroquois and Allied Indians	922,993	978,301	959,579
County of Hastings	219,860	160,774	189,737
Rental income - housing	1,081,620	1,075,989	1,044,299
Rental income - Turton Penn	7,800	7,800	7,800
Rental income - operations	257,488	272,460	257,293
Interest revenue	1,318,274	1,509,394	1,332,959
Program User Fees/Sales/Insurance Proceeds & other	8,709,283	2,534,522	2,284,168
Rental and lease income - Ottawa trust account		15,723	11,144
OFNLP2008 - Statement 12	5,049,097	4,568,334	5,071,122
Interest revenue on reserve funds		36,095	33,863
Yaote ET Wind Inc. - Note 24		82,581	44,129
Yaote LS Solar Inc. - Note 24		978,473	297,500
	75,793,432	48,115,415	34,986,047
EXPENSES			
Band operations	46,833,845	23,767,031	22,351,884
Housing projects	4,396,895	1,843,344	1,807,148
Turton Penn	16,532	15,186	40,844
OFNLP2008 - Statement 12	4,500,024	2,358,599	1,985,852
Amortization	3,339,452	3,336,754	3,339,452
Yaote ET Wind Inc. - Note 24		44,040	108
Yaote LS Solar Inc. - Note 24		1,518,404	
	59,086,748	32,883,358	29,525,288
ANNUAL SURPLUS	16,706,684	15,232,057	5,460,759
ACCUMULATED SURPLUS AT BEGINNING OF YEAR	110,419,127	110,419,127	104,958,368
ACCUMULATED SURPLUS AT END OF YEAR	127,125,811	125,651,184	110,419,127

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, 2020

	2020	2019
	Budget	Actual
	\$	\$
ANNUAL SURPLUS		(Restated - Note 2)
Acquisition of tangible capital assets	16,706,684	15,232,057
Amortization of tangible capital assets	(18,867,748)	(15,803,579)
Write-down/disposal of tangible capital assets	3,339,452	3,336,754
	<u>20,331</u>	<u>36,262</u>
Decrease in prepaid expenses and inventories	1,178,388	2,785,563
	<u>(8,282)</u>	<u>86,014</u>
INCREASE IN NET ASSETS	1,178,388	2,777,281
NET ASSETS AT BEGINNING OF YEAR	33,376,956	33,376,956
NET ASSETS AT END OF YEAR	34,555,344	36,154,237
	<u>33,376,956</u>	<u>33,376,956</u>

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

MOHAWKS OF THE BAY OF QUINTE
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2020

	2020 Actual \$	2019 Actual \$ (Restated - Note 2)
OPERATING ACTIVITIES		
Annual Surplus	15,232,057	5,460,759
Adjustment for items which do not affect cash -		
Amortization	3,336,754	3,339,452
Interest earned on Reserve Funds	(36,095)	(33,862)
Investment income from Loyalist Solar LP	(973,000)	(297,500)
Write-down of tangible capital assets	20,331	36,262
Income earned on trust funds deposited with Indigenous Services Canada	(15,723)	(11,144)
Realized gain on investment	(158,126)	(65,647)
Amortized bond premiums - discounts	207,929	8,389
 Net change in non-cash working capital balances related to operations	 17,614,127	 8,436,709
	 (242,017)	 13,744,454
CASH FLOWS PROVIDED FROM OPERATING ACTIVITIES	17,372,110	22,181,163
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(15,803,579)	(4,949,080)
INVESTING ACTIVITIES		
Purchase of marketable securities	(9,318,842)	(1,336,698)
Proceeds on sale of marketable securities	3,564,550	1,329,012
(Increase) in loans receivable	(751,787)	(506,374)
Purchase of partnership units of Loyalist Solar LP		(8,288,366)
Distributions from Loyalist Solar LP	831,005	
 CASH FLOWS USED IN INVESTING ACTIVITIES	 (5,675,074)	 (8,802,426)
FINANCING ACTIVITIES		
Proceeds from long-term debt	2,572,467	8,288,366
Repayment of long-term debt	(805,988)	(764,154)
 CASH FLOWS PROVIDED FROM FINANCING ACTIVITIES	 1,766,479	 7,524,212
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS FOR YEAR	 (2,340,064)	 15,953,869
 CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	 28,231,942	 12,278,073
 CASH AND CASH EQUIVALENTS - END OF YEAR	 25,891,878	 28,231,942
 REPRESENTED BY:		
Cash	25,891,878	28,231,942
 SUPPLEMENTAL INFORMATION:		
Interest paid	1,684,581	163,375

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, 2020**

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.

(a) Reporting Entity

The Mohawks of the Bay of Quinte reporting entity includes the Mohawks of the Bay of Quinte First Nation government and all related entities that are:

- 1) Accountable for the administration of their financial affairs and resources directly to the First Nation; and
- 2) Owned or controlled by the First Nation.

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

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

(b) Internal Accounting

The Band segregates its programs into funds which result in a self-balancing set of accounts for each fund established by legal, contractual or voluntary actions for the purposes of its internal accounting. The various funds have been combined 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 tangible capital assets 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, 2020

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

(c) Reporting Entity and Principles of Financial Reporting

All controlled entities are fully consolidated on a line-by-line basis. Interorganizational balances and transactions are eliminated upon consolidation.

Organizations consolidated in the Mohawks of the Bay of Quinte financial statements include:

- Yaote Holdings Limited
- Yaote ET Wind Inc.
- Yaote LS Solar Inc.

The above organizations are owned 100% by Mohawks of the Bay of Quinte.

Yaote LS Solar Inc. has over 50% ownership of the Loyalist Solar LP partnership, which is a commercial enterprise that meets the definition of government business enterprise. Government business enterprises are included in the consolidated financial statements on a modified equity basis. Under the modified equity basis, only the Band's investment in the government business enterprise and its share of net income of the government business enterprise are recorded in these financial statements. No adjustments have been made to these figures as a result of the accounting principles of the government business enterprise not conforming with the accounting principles used in the financial statements.

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 receivable and payable balances, along with any transfers and expenditures have been eliminated on consolidation.

(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.

**MOHAWKS OF THE BAY OF QUINTE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020**

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

(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.

(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.

MOHAWKS OF THE BAY OF QUINTE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020

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.

**MOHAWKS OF THE BAY OF QUINTE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020**

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.

MOHAWKS OF THE BAY OF QUINTE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020

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 and BluEarth Renewables Inc.

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. RESTATEMENT OF COMPARATIVE FIGURES

In the prior period, it was determined that a 50% investment was made in Loyalist Solar LP, a government business enterprise, by Yaote LS Solar Inc. Yaote LS Solar Inc. is a wholly owned subsidiary of Yaote Holdings Limited which is a wholly owned subsidiary of Mohawks of the Bay of Quinte. In addition, a loan was issued from BluEarth Renewables Partnership in the same amount as the above investment. The investment and loan payable were not reflected in the consolidated financial statements, resulting in an understatement of assets of \$14,661,149, an understatement of liabilities of \$14,363,649 and an understatement of revenues of \$297,500, as the investment is accounted for using the modified equity method. There is no impact on the opening net assets.

MOHAWKS OF THE BAY OF QUINTE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020

2. RESTATEMENT OF COMPARATIVE FIGURES (Cont'd)

As a result of these prior period understatements, the consolidated financial statements of the fiscal year ending March 31, 2019 have been restated as follows:

Consolidated Statement of Financial Position as at March 31, 2019

	2019 as previously reported	Revision	2019 Restated
	\$	\$	\$
FINANCIAL ASSETS			
Investment in Loyalist Solar LP	14,661,149		14,661,149
LIABILITIES			
Loans payable - Yaote LS Solar Inc.	14,363,649		14,363,649
ACCUMULATED SURPLUS	110,121,627	297,500	110,419,127

Consolidated Statement of Operations as at March 31, 2019

	2019 as previously reported	Revision	2019 Restated
	\$	\$	\$
REVENUES			
Investment income from Loyalist Solar LP	297,500		297,500
ANNUAL SURPLUS	5,163,259	297,500	5,460,759

Consolidated Statement of Cash Flows as at March 31, 2019

The prior year restatement resulted in an increase in cash through proceeds of long-term debt and a decrease in cash through purchase of partnership units of Loyalist Solar LP of \$8,288,366 as well as a decrease in cash through the deduction of non-cash investment income from Loyalist Solar LP in the amount of \$297,500.

**MOHAWKS OF THE BAY OF QUINTE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020**

3. 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, 2021. 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.

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.

4. 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, the Province of Ontario and accordingly, its continued operations are economically dependent on these sources of funding. ISC provided 54.20% of funding in the current year (2019 - 40.34%), OFNLP2008 provided 9.49% of funding (2019 - 14.49%) and Province of Ontario provided 13.53% of funding (2019 - 16.56%).

MOHAWKS OF THE BAY OF QUINTE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020

5. CASH

Cash is comprised of the following:

	2020	2019
	\$	\$
Externally Restricted:		
Housing replacement reserve - CMHC	<u>1,640,966</u>	1,583,506
Internally Restricted:		
Community Development Fund	2,412,786	2,144,987
Turton Penn/Housing replacement reserve	<u>485,784</u>	419,212
	<u>2,898,570</u>	2,564,199
Unrestricted:		
Operating Fund	13,363,442	13,690,018
Housing Fund	3,718,733	3,048,038
Turton Penn	501,883	478,184
OFNLP2008 Fund	2,577,628	6,586,521
Yaote ET Wind Inc.	395,803	281,476
Yaote LS Solar Inc.	<u>794,853</u>	
	<u>21,352,342</u>	24,084,237
Total Cash	<u>25,891,878</u>	28,231,942

6. 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, 2020 are as follows:

	2020		2019	
	Cost	Market	Cost	Market
	\$	\$	\$	\$
Equities	3,898,377	4,490,516	2,473,347	3,465,414
Bonds	<u>12,892,408</u>	<u>13,854,814</u>	8,612,949	9,358,781
	<u>16,790,785</u>	<u>18,345,330</u>	11,086,296	12,824,195

MOHAWKS OF THE BAY OF QUINTE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020

7. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	2020	2019
	\$	\$
Due from Members:		
Housing loans	20,255,417	19,475,703
Housing loans - Turton Penn	626,083	648,328
Accrued interest - Housing loans	271,322	264,769
Rental arrears	23,373	27,126
Other loans and receivables	477,873	469,629
Other loans and receivables - Turton Penn	1,674	848
Business loans	5,881	5,881
	21,661,623	20,892,284
Less: Allowance for doubtful accounts	588,208	516,212
	21,073,415	20,376,072
 Due from Others:		
Due from Government of Canada	1,300,502	3,124,765
Provincial government	258,399	656,988
Accrued interest receivable	107,454	80,868
Other accounts receivable (net of other payables)	550,501	131,786
	2,216,856	3,994,407
Total Accounts Receivable	23,290,271	24,370,479

8. 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, 2020 year, the Overproduction Payment was \$NIL (2019 - \$5,658).

MOHAWKS OF THE BAY OF QUINTE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020

9. DUE FROM LOYALIST SOLAR 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 LS Solar Inc. has an investment in Loyalist Solar LP's solar power project. The assets of the subsidiaries have been consolidated for financial statement purposes and the receivable from Loyalist Solar LP is an unsecured, non-interest bearing advance without fixed terms of repayment.

Based on the contract between the parties, Loyalist Solar LP shall pay a quarterly amount to Yaote LS Solar Inc. from its profits in priority to all other distributions to Limited Partners, after payment of indebtedness, a Participation Payment that is estimated at \$200,000 annually. During the March 31, 2020 year, the Participation Payments were \$231,005 (2019 - \$NIL) with \$41,607 of this received subsequent to year-end. The Participation Payments are recognized as a reduction of the Investment in Loyalist Solar LP.

10. INVESTMENT IN LOYALIST SOLAR LP

Loyalist Solar LP is a Limited Partnership owned 50% by Yaote LS Solar Inc. Yaote LS Solar Inc. is a wholly owned subsidiary of Yaote Holdings Limited. Yaote Holdings Limited is a wholly owned subsidiary of Mohawks of the Bay of Quinte. Loyalist Solar LP is a Limited Partnership formed to design, develop, construct, finance and operate a solar-powered electricity-generating facility in Ontario. The carrying value of this investment accounted for, using the modified equity method, is \$14,803,144 (2019 - \$14,661,149). Loyalist Solar LP has a December 31 year end and the financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

Subsequent to year-end, on May 31, 2020, Mohawks of the Bay of Quinte through Yaote LS Solar Inc. (bare trustee corporation) received a \$2,550,257 partnership distribution from its investment in Loyalist Solar LP. The proceeds from the distribution were adjusted to service the outstanding loan payable to BluEarth Renewables Partnership described in Note 16.

MOHAWKS OF THE BAY OF QUINTE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020

10. INVESTMENT IN LOYALIST SOLAR LP (Cont'd)

The following table presents condensed financial information for this government business enterprise:

	December 31, 2019 \$ (000's)	December 31, 2018 \$ (000's)
ASSETS		
Cash	7,935	20,264
Accounts receivable	745	1,207
Property, plant and equipment	172,559	153,609
Other assets	2,745	
	183,984	175,080
LIABILITIES		
Accounts payable	6,242	16,944
Long-term debt	131,406	128,816
Other liabilities	15,070	
	152,718	145,760
EQUITY		
	31,266	29,320
	183,984	175,080
Revenue	11,522	642
Expenses	9,576	26
	NET INCOME	1,946
	1,946	616

Mohawks of the Bay of Quinte's investment in Loyalist Solar LP is determined as follows:

	2020 \$	2019 \$
Opening balance	14,661,149	6,075,283
Purchase of partnership units		8,288,366
Partner distributions	(831,005)	
Share of earnings	973,000	297,500
	14,803,144	14,661,149

**MOHAWKS OF THE BAY OF QUINTE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020**

11. 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.

12. 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 \$2,500,000 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 ten years and 300 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, 2020

13. 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, 2020.

	Funding Received		Revenue Recognized	
	2019 \$	2020 \$	2020 \$	2020 \$
<i>Indigenous Services Canada</i>				
Minor Capital	226,939		179,042	47,897
Deseronto Water Treatment				
Plant	358,322		347,141	11,181
Solar Design	33,206			33,206
Water Treatment Plant	637,220			637,220
Post Secondary	110,260	3,087,508	3,197,768	
Climate Change	34,802		1,014	33,788
Child Welfare - Band Rep	239,212	138,846	164,975	213,083
New Paths	251,465		51,607	199,858
Community Centre Upgrades	63,663		955	62,708
Developing Our Future	313,356		112,892	200,464
QMS Instructional	67,146	1,009,194	1,072,675	3,665
Ohahase Instructional	122,783	563,302	304,883	381,202
Child Welfare	1,360,917	1,062,190	191,625	2,231,482
Solar Construction	889,907		17,250	872,657
Ohahase	58,114	386,904	396,492	48,526
Housing 4 Plex Construction	684,400		684,400	
Financial Management -				
Capacity Development	10,000			10,000
Flood	16,444	370,250	365,008	21,686
Water System Option Analysis	60,270		15,451	44,819
Turton Penn Remediation	229,723	591,843	507,738	313,828
Watermain Distribution to				
Shannonville	10,811,110	2,227,600	10,815,640	2,223,070
Beach Road Flood				
Rehabilitation	76,400	2,339,000	1,533,494	881,906
Roads and Bridges	99,295	396,084	271,697	223,682
Phase 3 project		1,000,000	153,284	846,716
Transformation funding		101,000	10,754	90,246
New Paths		343,137		343,137
QMS Operations		1,215,487	1,087,014	128,473
Enhanced housing allocation		524,664	178,292	346,372
Capital - new housing		349,776	168,860	180,916
Other		1,045,893	891,227	154,666
	<hr/> 16,754,954	<hr/> 16,752,678	<hr/> 22,721,178	<hr/> 10,786,454

MOHAWKS OF THE BAY OF QUINTE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020

13. DEFERRED REVENUE (Cont'd)

	2019	Funding Received	Revenue Recognized	2020
	\$	\$	\$	\$
<i>Others</i>				
AIAI - Mental Wellness / Crisis Response	37,632	56,250	93,882	
AIAI - Tobacco Strategy	8,591	59,991	59,488	9,094
AIAI - Education / Language Strategy Mohawk Language	15,000		15,000	
Aboriginal Labour Force Development Circle	60,902		39,708	21,194
County of Lennox & Addington	36,138	305,232	286,951	54,419
Shelter Fundraising	48,693	14,969	5,868	57,794
Ontario Diabetes Strategy	255		17	238
Home and Community Programs	1,035	1,260	2,295	
EDSC Seniors Fitness Program	25,000		25,000	
Prosper Canada	20,000			20,000
Food Resource Centre	5,471	20,652	22,646	3,477
Child Welfare/other projects	43,755	(500)	28,486	14,769
Ministry of Transportation	79,496		5,124	74,372
Youth Fundraising	20,813	4,556		25,369
Ontario Trillium Housing Assessments	36,016		36,016	
Financial Management Board	25,000			25,000
Donation to Bear Cubs	11,692	3,395	15,087	
LHINS Strategy	30,001			30,001
Hastings Food for Learning	13,615	52,625	21,742	44,498
Blue Earth Training	10,000	7,625	17,625	
Various COVID-19 funds		152,415	558	151,857
Health Canada		3,087,259	2,541,813	545,446
Other miscellaneous		268,608	223,832	44,776
	529,105	4,034,337	3,441,138	1,122,304
Total deferred revenue	17,284,059	20,787,015	26,162,316	11,908,758

REPRESENTED BY:

Housing Fund	720,416	180,916
Band Operations Fund	16,563,643	11,727,842
	17,284,059	11,908,758

MOHAWKS OF THE BAY OF QUINTE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020

14. LOANS PAYABLE - CAPITAL FUND

	2020	2019
	\$	\$
<i>Capital Fund - CMHC Projects</i>		
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.	172,368	217,577
Mortgage payable, Canada Mortgage and Housing Corporation - 1.12%, due on demand (renewal in process), repayable over 25 years with blended monthly instalments of \$5,589, secured by a guarantee agreement from Indigenous Services Canada.	310,107	373,319
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.	156,584	182,423
Mortgage payable, Canada Mortgage and Housing Corporation - 0.60% due December, 2020, repayable over 25 years with blended monthly instalments of \$4,401, secured by a guarantee agreement from Indigenous Services Canada.	520,247	567,552
Mortgage payable, Canada Mortgage and Housing Corporation - 0.98%, due on demand (renewal in process), repayable over 25 years with blended monthly instalments of \$4,788, secured by a guarantee agreement from the Indigenous Services Canada.	801,302	850,638
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.	2,077,327	2,166,056
Mortgage payable, Canada Mortgage and Housing Corporation - 1.67%, due July 2024, repayable over 25 years with blended monthly instalments of \$4,403, secured by a guarantee agreement from Indigenous Services Canada.	1,032,117	
<i>Capital Fund - Administration Building Loan</i>		
Fixed rate term loan agreement with the Bank of Montreal, bearing interest at 3.02%, due October, 2024, repayable over 5 years with blended monthly instalments of principal and interest totalling \$44,440, secured by an assignment of insurance.	2,274,189	2,738,585
	<hr/>	<hr/>
	7,344,241	7,096,150
	<hr/>	<hr/>

MOHAWKS OF THE BAY OF QUINTE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020

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

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

	\$
2021	2,438,094
2022	668,259
2023	687,371
2024	2,384,764
2025	1,165,753
	<hr/>
	7,344,241
	<hr/>
	2020
	\$
Interest expense for the year on Note 14 loans payable	<hr/> 166,195
	<hr/> 163,375

15. LOANS PAYABLE - OPERATIONS FUND

Loans payable within the Operations Fund consist as follows:

	2020	2019
	\$	\$
Government of Canada - Culbertson Loan - original	473,271	473,271
Government of Canada - Culbertson Loan - 17/18 advance	154,700	154,700
	<hr/> 627,971	<hr/> 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 a prior year, a supplemental loan agreement was signed, with the Band being advanced a further \$154,700. At March 31, 2020, 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.

MOHAWKS OF THE BAY OF QUINTE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020

16. LOANS PAYABLE - YAOTE LS SOLAR INC.

Loans payable by Yaote LS Solar Inc. consist as follows:

	2020	2019
	\$	\$
BluEarth Renewables Partnership	15,882,035	14,363,649

BluEarth Renewables Partnership Loan

Fixed rate term loan agreement with BluEarth Renewables Partnership, bearing interest at 11%, due April 2039, repayable through distributions from the Loyalist Solar LP government business enterprise referred to in Note 10 (no set payments), secured by the partnership units owned by Yaote LS Solar Inc. in Loyalist Solar LP. Under the agreement, any outstanding portion remaining after 20 years will be forgiven. The current portion of the loan payable is variable based on the distribution payments to be applied to the loan. As this amount is not fixed, scheduled payments have not been disclosed.

	2020	2019
	\$	\$
Interest expense for the year on Note 16 loans payable	1,518,386	NIL

17. TANGIBLE CAPITAL ASSETS

Cost	Balance at March 31, 2019	Additions	Disposals/ Transfers	Balance at March 31, 2020
Land	1,617,547	50,000		1,667,547
Land improvements	6,275,655	91,340		6,366,995
Buildings and building improvements	34,831,985	1,165,234		35,997,219
Vehicles	4,272,328	153,364	125,509	4,300,183
Machinery and equipment	7,633,642	241,411		7,875,053
Water/wastewater infrastructure	37,180,703			37,180,703
Roads infrastructure	31,294,256	83,845		31,378,101
Bridges and major culverts	3,088,285			3,088,285
Streetlights	237,762			237,762
Assets under construction	2,667,929	14,018,385		16,686,314
Total	129,100,092	15,803,579	125,509	144,778,162

MOHAWKS OF THE BAY OF QUINTE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020

17. TANGIBLE CAPITAL ASSETS (Cont'd)

Accumulated Amortization	Balance at March 31, 2019	Disposals	Amortization Expense	Balance at March 31, 2020
	\$	\$	\$	\$
Land improvements	2,250,553		203,065	2,453,618
Buildings and building improvements	11,833,337		890,883	12,724,220
Vehicles	2,989,035	105,178	322,913	3,206,770
Machinery and equipment	3,486,091		373,977	3,860,068
Water/wastewater infrastructure	3,587,332		758,490	4,345,822
Roads infrastructure	25,510,413		724,463	26,234,876
Bridges and major culverts	2,267,554		56,739	2,324,293
Streetlights	199,718		6,224	205,942
Total	52,124,033	105,178	3,336,754	55,355,609

	Net Book Value March 31, 2020	Net Book Value March 31, 2019
	\$	\$
Land	1,667,547	1,617,547
Land improvements	3,913,377	4,025,102
Buildings and building improvements	23,272,999	22,998,648
Vehicles	1,093,413	1,283,293
Machinery and equipment	4,014,985	4,147,551
Water/wastewater infrastructure	32,834,881	33,593,371
Roads infrastructure	5,143,225	5,783,843
Bridges and major culverts	763,992	820,731
Streetlights	31,820	38,044
Assets under construction	16,686,314	2,667,929
Total	89,422,553	76,976,059

(a) Assets Under Construction

Assets under construction having a value of \$16,686,314 (2019 - \$2,667,929) 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.

**MOHAWKS OF THE BAY OF QUINTE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020**

17. TANGIBLE CAPITAL ASSETS (Cont'd)

(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.

18. RESERVE FOR BUS REPLACEMENT

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

	2020	2019
	\$	\$
Balance - Beginning of year	203,384	204,550
Add:		
Transfer from school busing - amortization charges	<u>105,176</u>	114,229
	308,560	318,779
Less:		
Transfer to school busing for acquisition of buses	<u>(108,365)</u>	(115,395)
Balance - End of year	<u>200,195</u>	203,384

19. 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 \$86,400 (\$82,200 in 2019). This reserve is comprised of the following:

	2020	2019
	\$	\$
Balance - Beginning of year	639,039	547,567
Add:		
Allocation for year	<u>86,400</u>	82,200
Interest	<u>11,863</u>	9,272
	737,302	639,039
Less:		
Approved expenditures	<u>(63,942)</u>	
Balance - End of year	<u>673,360</u>	639,039

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20. RESERVE FOR OPERATING SURPLUS

CMHC Projects - Operating and Maintenance Surplus

This reserve is comprised of the following:

	2020	2019
	\$	\$
Balance - Beginning of year	882,062	929,109
Add:		
Interest	16,453	17,906
Due from (to) Housing	34,741	(64,953)
Balance - End of year	933,256	882,062

21. RESERVE FOR TURTON AND HOUSING REPLACEMENT

	2020	2019
	\$	\$
Balance - Beginning of year	419,828	354,444
Add:		
Interest	7,779	6,684
Allocation for year	58,700	58,700
	66,479	65,384
Balance - End of year	486,307	419,828

22. DISCRETIONARY FUND

	2020	2019
	\$	\$
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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23. ACCUMULATED SURPLUS

	2020	2019
	\$	\$
Restricted:		
Equity in CMHC Replacement Reserve Fund	673,360	639,039
Equity in CMHC Operating Reserve Fund	<u>933,256</u>	882,062
	1,606,616	1,521,101
Internally Restricted:		
Equity in Bus Replacement Fund	200,195	203,384
Equity in Discretionary Fund	50,126	50,126
Equity in Housing Replacement Fund	<u>477,962</u>	412,321
Equity in Turton Penn Replacement Fund	8,345	7,507
	736,628	673,338
Unrestricted:		
Equity in Capital Assets Fund	82,078,312	69,879,909
Deficit in Operating Fund	131,669	(295,267)
Equity in Housing Fund	<u>22,528,287</u>	21,366,172
Equity in Turton Penn Fund	1,195,921	1,159,796
Equity in OFNLP2008 Fund	16,966,836	15,221,496
Yaote ET Wind Inc. - Note 24	82,562	44,021
Yaote LS Solar Inc. - Note 24	<u>(242,431)</u>	297,500
	122,741,156	107,673,627
Equity in Trust Funds held by Federal Government	566,784	551,061
Total Accumulated Surplus	125,651,184	110,419,127

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24. ACCUMULATED SURPLUS - YAOTE ET WIND INC. AND YAOTE LS SOLAR INC.

The accumulated surplus attributed to Yaote ET Wind Inc. is comprised of the following:

	2020	2019
	\$	\$
REVENUES		
Ernestown Windpark LP	80,000	44,129
Interest revenue	2,581	
	<u>82,581</u>	<u>44,129</u>
EXPENSES		
Professional fees	44,020	
Bank charges	20	108
	<u>44,040</u>	<u>108</u>
ANNUAL SURPLUS	38,541	44,021
ACCUMULATED SURPLUS AT BEGINNING OF YEAR	44,021	NIL
ACCUMULATED SURPLUS AT END OF YEAR	82,562	44,021

The accumulated surplus attributed to Yaote LS Solar Inc. is comprised of the following:

	2020	2019
	\$	\$
REVENUES		
Investment income from Loyalist Solar LP	973,000	297,500
Interest revenue	5,473	
	<u>978,473</u>	<u>297,500</u>
EXPENSES		
Interest expense	1,518,386	
Bank charges	18	
	<u>1,518,404</u>	NIL
ANNUAL SURPLUS (DEFICIT)	(539,931)	297,500
ACCUMULATED SURPLUS AT BEGINNING OF YEAR	297,500	NIL
ACCUMULATED SURPLUS (DEFICIT) AT END OF YEAR	(242,431)	297,500

**MOHAWKS OF THE BAY OF QUINTE
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25. 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 \$16,310 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.

26. 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, 2020, the Band has guaranteed loans totalling \$11,913,274 (principal balance) for housing purposes. All required payments under the loans have been made to date.

As of March 31, 2020, the Band has guaranteed loans totalling \$6,250 (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 three 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.

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27. COMMUNITY DEVELOPMENT FUND UNDER ADMINISTRATION

	2020	2019
	\$	\$
Balance - Beginning of year	<u>2,372,212</u>	2,113,727
Add:		
Cigarette quota - Administration fee	264,836	265,472
Interest	<u>40,857</u>	39,902
	<u>305,693</u>	305,374
Less:		
Expenditures	<u>(31,828)</u>	(46,889)
Balance - End of year	<u>2,646,077</u>	2,372,212

28. 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.

	2020	2019
	\$	\$
Compensation		
Salaries and benefits	<u>744,693</u>	648,396
Pension/CPP	<u>63,167</u>	54,751
Honoraria to Chief and Councillors	<u>137,380</u>	144,600

Amounts owing from and to key management personnel (excluding compensation due and accrued) at March 31, 2020 are \$214,071 (2019 - \$54,370) and \$Nil (2019 - \$Nil) respectively. The amounts owing from related parties are subject to regular payment terms for Band members and are included in accounts receivable.

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29. 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.

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29. 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 12 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 \$7,344,241 (2019 - \$7,096,150), as detailed in Note 14 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.

30. BUDGETED FIGURES

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

**MOHAWKS OF THE BAY OF QUINTE
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31. COMPARATIVE FIGURES

In order to conform with the financial statement presentation adopted for the current year, certain of the comparative figures have been regrouped.

32. COVID-19

Since the beginning of calendar 2020, a virus known as Coronavirus ("COVID-19") has caused a world-wide pandemic, including being present in Canada. The pandemic has had a considerable impact both globally and locally, which has the potential to create financial stress on the Band.

At the time that these financial statements were finalized, the Band has not seen a decrease in funding, however, it is expected that distributions from OFNLP2008 will be reduced. No other financial impact can be reasonably estimated at this time.