

Consolidated Financial Statements of

WALPOLE ISLAND FIRST NATION

March 31, 2019



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Independent Auditor's Report

To the Band Council of Walpole Island First Nation

Opinion

We have audited the consolidated financial statements of **Walpole Island First Nation** and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at March 31, 2019, the consolidated statement of operations, change in net financial assets and cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Group as at March 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian Public Sector accounting standards.

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 Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

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

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

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

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

Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Chartered Professional Accountants, Licensed Public Accountants

BDO Canada LLP

Sarnia, Ontario
March 10, 2020

WALPOLE ISLAND FIRST NATION

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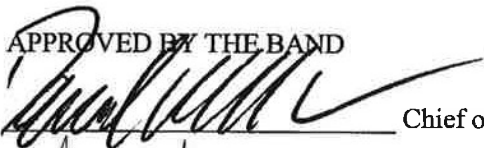
For the year ended March 31, 2019

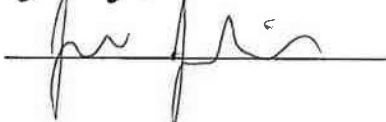
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WALPOLE ISLAND FIRST NATION
Consolidated Statement of Financial Position
As at March 31, 2019

	<u>2019</u>	<u>2018</u> (restated) (Note 17)
FINANCIAL ASSETS		
Cash	\$ 14,726,046	\$ 5,716,774
Short-term deposits	12,558,134	12,371,064
Trust funds in Ottawa (Note 3)	7,813,848	7,637,065
Accounts receivable (Note 4)	4,805,857	4,780,500
Loans to Band members (Note 5)	3,449,224	3,565,426
Investment in related parties (Note 6)	8,704,659	8,088,202
Investment in government partnership (Note 7)	19,211,763	19,211,763
	<u>71,269,531</u>	<u>61,370,794</u>
LIABILITIES		
Accounts payable and accrued charges	4,499,252	3,823,334
Payable to funding sources	2,102,174	1,430,750
Deferred revenue (Note 8)	1,598,247	1,503,994
Rental deposits	7,750	9,325
Housing commitments	406,513	212,112
Long-term debt (Note 9)	180,331	97,240
Long-term debt government partnership (Note 10)	18,651,595	20,933,600
	<u>27,445,861</u>	<u>28,010,355</u>
CONTINGENT LIABILITIES (Note 11)		
NET FINANCIAL ASSETS	<u>43,823,670</u>	<u>33,360,439</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 12)	19,060,984	19,411,662
Prepaid assets	91,358	296,784
	<u>19,152,342</u>	<u>19,708,446</u>
ACCUMULATED SURPLUS (Note 13)	<u>\$ 62,976,012</u>	<u>\$ 53,068,885</u>

APPROVED BY THE BAND

 Chief of Band

 Director of Operations

WALPOLE ISLAND FIRST NATION
Consolidated Statement of Operations
For the year ended March 31, 2019

	2019 Budget	2019 Actual	2018 Actual (restated) (Note 17 and 18)
REVENUE			
Indigenous Services Canada ("ISC")			
Grant	\$ 741,700	\$ 741,860	\$ 744,349
Fixed contribution	12,085,957	11,259,351	9,610,337
Set contribution	527,122	1,472,309	1,412,902
Health Canada	-	3,956,468	3,320,867
Canadian Mortgage and Housing Corporation ("CMHC")	-	-	48,244
Human Resources and Skills Development Canada	-	1,249,616	1,279,907
Other federal funding	4,250,492	272,853	1,213,005
Province of Ontario	11,519,990	10,935,535	10,540,587
Independent First Nations	-	173,170	144,871
Ontario First Nations Limited Partnership	1,767,348	2,546,887	2,016,521
Lease, rent and hosting	-	1,363,817	1,209,775
Interest and dividends	7,501	5,412,510	571,888
User fees	-	565,437	584,315
Other	3,047,308	7,594,470	6,711,993
	33,947,418	47,544,283	39,409,561
EXPENSE			
Governance and administration - Schedule 1	2,862,330	3,203,052	2,764,429
Operations and maintenance - Schedule 2	2,879,024	8,027,891	8,117,337
Education - Schedule 3	10,454,387	9,423,678	9,314,183
Health and social - Schedule 4	15,706,393	13,707,435	12,755,153
Economic development - Schedule 5	3,077,551	3,421,007	2,983,846
Housing and Band rentals - Schedule 6	864,658	361,515	417,494
Independent First Nations - Schedule 7	-	108,986	95,098
	35,844,343	38,253,563	36,447,540
Annual surplus (deficit) from operations before net earnings from government enterprises	(1,896,925)	9,290,720	2,962,021
Net earnings from government enterprises	-	616,407	178,458
ANNUAL SURPLUS (DEFICIT) (Note 17)	\$ (1,896,925)	9,907,127	3,140,479
Accumulated Surplus, beginning of year (Note 17)		53,068,885	49,928,406
ACCUMULATED SURPLUS, END OF YEAR (Note 17)		\$ 62,976,012	\$ 53,068,885

WALPOLE ISLAND FIRST NATION**Consolidated Statement of Change in Net Financial Assets**

For the year ended March 31, 2019

	2019 Budget	2019 Actual	2018 Actual (restated) (Note 17 and 18)
ANNUAL SURPLUS			
Annual surplus (deficit)	\$ (1,896,925)	\$ 9,907,127	\$ 3,140,479
Acquisition of tangible capital assets	-	(1,551,878)	(2,516,878)
Amortization of tangible capital assets	-	1,902,556	1,823,468
	(1,896,925)	10,257,805	2,447,069
Acquisition of prepaid assets	-	(91,358)	(296,784)
Utilization of prepaid assets	-	296,784	160,953
	-	205,426	(135,831)
NET CHANGE IN NET FINANCIAL ASSETS	(1,896,925)	10,463,231	2,311,238
Net financial assets, beginning of year	33,360,439	33,360,439	31,049,201
NET FINANCIAL ASSETS, END OF YEAR	\$ 31,463,514	\$ 43,823,670	\$ 33,360,439

WALPOLE ISLAND FIRST NATION
Consolidated Statement of Cash Flows
As at March 31, 2019

	<u>2019</u>	<u>2018</u> (restated) (Note 17)
OPERATING ACTIVITIES		
Annual surplus	\$ 9,907,127	\$ 3,140,479
Items not affecting cash		
Amortization of tangible capital assets	1,902,556	1,823,468
	<u>11,809,683</u>	<u>4,963,947</u>
Changes in non-cash working capital items		
Accounts receivable	(25,357)	(2,412,703)
Accounts payable	675,918	1,482,099
Payable to funding sources	671,424	646,176
Deferred revenue	94,253	(254,735)
Rental deposits	(1,575)	1,900
Housing commitments	194,401	(149,852)
Prepaid expenses	205,426	(135,831)
	<u>13,624,172</u>	<u>4,141,001</u>
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(1,551,878)	(2,516,878)
INVESTING ACTIVITIES		
Purchase of short-term investments	(187,070)	(6,920,230)
Investment in government partnerships	-	(14,216,763)
Increase in trust funds in Ottawa	(176,783)	(167,292)
Increase in investment in related parties	(616,457)	(451,069)
Net decrease in loans to Band members	116,202	5,268
	<u>(864,108)</u>	<u>(21,750,086)</u>
FINANCING ACTIVITIES		
Proceeds from long-term debt	83,091	15,938,600
Repayment of long-term debt partnerships	(2,282,005)	-
	<u>(2,198,914)</u>	<u>15,938,600</u>
NET CHANGE IN CASH POSITION	<u>9,009,272</u>	<u>(4,187,363)</u>
Cash position, beginning of year	5,716,774	9,904,137
CASH POSITION, END OF YEAR	<u>\$ 14,726,046</u>	<u>\$ 5,716,774</u>

WALPOLE ISLAND FIRST NATION

Notes to the Consolidated Financial Statements

For the year ended March 31, 2019

1. PURPOSE OF THE ORGANIZATION

The Walpole Island First Nation is located in Walpole Island, Ontario. The elected government consists of a Chief and twelve members of Council. The organization manages and administers all political, social and economic programs of this First Nation.

2. ACCOUNTING POLICIES

Management's responsibility for the financial statements

These financial statements of the organization are the responsibility of management. They have been prepared in accordance with Canadian public sector accounting standards for local government entities.

Basis of presentation

These financial statements have been prepared in accordance with Canadian public sector accounting standards for government entities as defined in the CPA Canada Public Sector Accounting Handbook

Principal of consolidation

Commercial enterprises that meet the definition of a government business enterprise are included in the consolidated financial statements on a modified equity basis. Under the modified equity method of accounting, only Walpole Island First Nation's investment in the government business enterprise and the First Nation's portion of the enterprise's net income and other changes in equity are recorded. No adjustment is made for accounting policies of the enterprise that are different from those of Walpole Island First Nation and inter-organizational balances and transactions are not eliminated.

Organizations accounted for on a modified equity basis include:

Three Fires Development Corporation
Tahgahoning Enterprises Inc.
Walpole Algonac Ferry Ltd.

The 100% investment in WIFN Development LP is a government partnership and has been consolidated.

Short-term deposits

Short-term deposits consisting of guaranteed investment certificates are recorded at cost.

Portfolio Investments

During the year it was determined that the investment in Giiwedin Noodin FN Energy Corporation is a portfolio investments. Giiwedin Noodin FN Energy Corporation was previously accounted for as a government business partnership and was included in the consolidated financial statements on a modified equity basis.

WALPOLE ISLAND FIRST NATION

Notes to the Consolidated Financial Statements

For the year ended March 31, 2019

2. ACCOUNTING POLICIES - continued

Portfolio Investments – continued

The market value of the investment in Giiwedín Noodin FN Energy Corporation is not readily determinable.

The financial statements have been retroactively restated to account for this investment as a portfolio investment.

Loans to Band members

Funding received for the purpose of building and renovating houses and the commitment of those funds to a particular First Nation member are netted together in the specific program. Commitments outstanding at the end of the year are reported as liabilities.

Agreements exist between the Council and the members regarding the terms of repayment of various expenses. The portion of the expenses determined to be repayable are recorded as loans due from the members on the Consolidated Statement of Financial Position.

Loans to band members are recorded at cost less any amount for valuation allowance. Valuation allowances are made when collection is in doubt as assessed by management. When the loss is known with sufficient precision and there is no realistic prospect of recovery, the loan receivable is reduced by the amount of the loss. Loans are reviewed on an annual basis by management.

Tangible capital assets

Tangible capital assets have been recorded at cost and amortized over their useful lives. Cost includes all amounts that are directly related to the acquisition, design, construction, development, improvement and betterment of assets. Costs includes overhead directly attributed to construction and development, as well as interest costs that are directly attributed to the acquisition or construction of the asset.

Amortization is computed using the following annual rates and methods:

Buildings and structures	10 – 40 years	straight-line
Infrastructure	5 – 25 years	straight-line
Vehicles	5 years	straight-line
Equipment	10 - 20 years	straight-line
Computer hardware	3 years	straight-line

Revenue recognition

Revenues are recognized in the period in which the transactions or events occurred that give rise to the revenues. All revenues are recorded on an accrual basis.

WALPOLE ISLAND FIRST NATION
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

2. ACCOUNTING POLICIES - continued

Revenue recognition – continued

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the consolidated statement of operations as the stipulation is settled.

Contributions, other than government transfers, are deferred when restrictions are placed on their use by the external contributor, and are recognized in revenue when used for the specific purpose.

Rental revenue is recognized when it is due in accordance with the respective agreements.

Investment income earned is recognized as revenue on an accrual basis.

Investment income from Giiwedín Noodin FN Energy Corporation is recorded when dividends are received.

Distribution income from WIFN Development LP investment is recognized when received.

Revenue related to fees or services received in advance of the fee being earned or the service performed is deferred and recognized when the fee is earned or service provided.

A contaminated site is a site at which substances occur in concentrations that exceed the maximum acceptable amounts under an environmental standard. Sites that are currently in productive use are only considered a contaminated site if an unexpected event results in contamination. A liability for remediation of contaminated sites is recognized when the First Nation is directly responsible or accepts responsibility; it is expected the future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability includes all costs directly attributed to remediation activities including post remediation operations, maintenance and monitoring. The liability is recorded at net of any expected recoveries. At March 31, 2019, the First Nation has not identified any instances that meet the criteria for a liability for contaminated sites.

Management estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenditure during the reporting period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in operations in the period in which they become known.

WALPOLE ISLAND FIRST NATION
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

2. ACCOUNTING POLICIES - continued

Reserve Accounting

The First Nation records accounting transactions using the reserve accounting method generally in use for government organizations. A reserve is determined for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The various reserves have been amalgamated for the purpose of presentation in the financial statements. The First Nation maintains the following reserves

Operating – the operating reserve reports the general activities of the First Nation administration

Enterprise – the enterprise reserve reports the activities of the various investments in government business enterprises. These government business enterprises include wholly owned subsidiaries Three Fires Development Corporation, Tahgahoning Enterprises Inc., Walpole Algonac Ferry Ltd.

Internally restricted – the internally restricted reserve reports the designated assets, as established by the First Nation's council, which require Band Council motion to release any portion of these funds for expenditure.

Externally restricted – the externally restricted reserve reports the activities and assets of all externally restricted assets, including the Trust funds in Ottawa and Ontario First Nations Limited Partnership.

3. TRUST FUNDS IN OTTAWA

	<u>2019</u>	<u>2018</u>
Revenue trust fund	\$ 6,976,150	\$ 6,799,367
Capital trust fund	837,698	837,698
	<u>\$ 7,813,848</u>	<u>\$ 7,637,065</u>

4. ACCOUNTS RECEIVABLE

	<u>2019</u>	<u>2018</u> (restated)
Federal Government programs	\$ 3,194,811	\$ 3,559,234
Provincial Government programs	197,956	529,171
Other program receivables	1,323,284	611,083
Other receivables – net of allowance of \$1,260,763	62,916	46,952
HST recoverable	26,890	34,060
	<u>\$ 4,805,857</u>	<u>\$ 4,780,500</u>

WALPOLE ISLAND FIRST NATION
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

5. LOANS TO BAND MEMBERS

Housing loans	\$ 6,904,009	\$ 6,815,303
Less: allowance for doubtful loans	3,454,785	3,249,877
	\$ 3,449,224	\$ 3,565,426

Housing loans are interest free. An allowance for doubtful accounts has been created to allow for loans that may not ultimately be collectible.

6. INVESTMENT IN RELATED PARTIES

The investment in related parties is made up of investments in government business enterprises and portfolio investments through advances to and shares in these corporations. The advances to these corporations are non-interest bearing, unsecured and are due on demand.

	<u>2019</u>	<u>2018</u> (restated) (Note 17)
Advances to		
Tahgahoning Enterprises Inc.	\$ 457,252	\$ 457,202
Walpole Algonac Ferry Ltd.	407,624	407,624
	864,876	864,826
Equity		
Three Fires Development Corporation	1,325,472	1,318,163
Tahgahoning Enterprises Inc.	6,146,285	5,608,924
Walpole Algonac Ferry Ltd.	368,025	296,288
Giiwedin Noodin FN Energy Corporation	1	1
	7,839,783	7,223,376
	\$ 8,704,659	\$ 8,088,202

The shares in Three Fires Development Corporation, Tahgahoning Enterprises Inc. and Walpole Algonac Ferry Ltd. are owned and controlled by the Band and are considered investments in government business enterprises and are accounted for using the modified equity method as indicated in Note 2. The shares in Giiwedin Noodin FN Energy Corporation are considered portfolio investment.

The long-term debt incurred by Giiwedin Noodin FN Energy Corporation for the investment in the partnership is secured by a general security agreement covering all assets of the corporation and a limited resource share pledge agreement with respect to the pledge share capital of this corporation by Walpole Island First Nation. There is no other recourse.

Financial statements for each of the Band controlled corporations have been prepared for the year ended March 31, 2019. The key numbers from those financial statements relating to Walpole Island First Nation's ownership is as follows:

WALPOLE ISLAND FIRST NATION
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

6. INVESTMENT IN RELATED PARTIES – continued

	<u>2019</u>	<u>2018</u>
Three Fires Development Corporation		
Assets	\$ 1,482,707	\$ 1,451,326
Liabilities	\$ 157,235	\$ 157,235
Shareholder's equity	\$ 1,325,472	\$ 1,318,163
Revenue	\$ 357,486	\$ 335,947
Expenses	\$ 350,177	\$ 315,791
Tahgahoning Enterprises Inc.		
Assets	\$ 7,681,175	\$ 7,132,524
Liabilities	\$ 1,534,890	\$ 1,523,600
Shareholder's equity	\$ 6,146,285	\$ 5,608,924
Revenue	\$ 4,520,975	\$ 4,269,954
Expenses	\$ 3,983,614	\$ 4,006,259
Walpole Algonac Ferry Ltd.		
Assets	\$ 846,761	\$ 766,731
Liabilities	\$ 479,546	\$ 470,443
Shareholder's equity	\$ 367,215	\$ 296,288
Revenue	\$ 970,405	\$ 584,677
Expenses	\$ 899,668	\$ 690,071
Giiwedín Noodin FN Energy Corporation		
Assets	\$ 14,898,566	\$ 14,589,575
Liabilities	\$ 8,078,811	\$ 10,627,210
Shareholder's equity	\$ 6,819,755	\$ 3,962,365
Revenue	\$ 7,503,861	\$ 7,176,835
Expenses	\$ 336,144	\$ 415,328

7. INVESTMENT IN GOVERNMENT PARTNERSHIP

The investment in WIFN Development LP is the original investment made for two wind partnerships. WIFN Development LP indirectly has a 15% interest in each of these wind partnerships.

WALPOLE ISLAND FIRST NATION
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

8. DEFERRED REVENUE

	<u>2019</u>	<u>2018</u>
Indigenous Services Canada	\$ -	\$ 42,794
Human Resources and Skills Development Canada	286,864	286,864
Other funding sources	383,627	241,566
Leases and hosting agreements	927,756	932,770
	<u>\$ 1,598,247</u>	<u>\$ 1,503,994</u>

9. LONG-TERM DEBT

0% promissory note due March 2020	\$ 97,240	\$ 97,240
0% promissory note due March 2023	83,091	-
	<u>\$ 180,331</u>	<u>\$ 97,240</u>

Principal amount due next four years is as follows:

2020	\$ 97,240
2023	\$ 83,091

10. LONG-TERM DEBT GOVERNMENT PARTNERSHIPS

7% loan payable relating to WIFN NK Borrower LP, due August 30, 2033	\$ 7,903,953	\$ 8,592,431
7% loan payable relating to WIFN BR Borrower LP due February 27, 2033	10,747,642	12,341,169
	<u>\$ 18,651,595</u>	<u>\$ 20,933,600</u>

WIFN NK Borrower LP and WIFN BR Borrower LP have the option to repay the loans at any time without penalty. Blended principal and interest payments are made quarterly are paid the last day of each quarter based on amounts calculated by the lenders.

Each loan is secured by a general security of the Borrower LP and by a pledge agreement of the respective Investor LP and Investor GP.

11. CONTINGENT LIABILITIES

Various claims have been filed against the First Nation for wrongful dismissals. It is Chief and Council's opinion that these claims are unfounded and the First Nation will vigorously defend the claim. The outcome and the amount of losses, if any, are not determinable at this time and accordingly, no provision for losses have been made in these financial statements.

WALPOLE ISLAND FIRST NATION
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

12. TANGIBLE CAPITAL ASSETS

		Land	Building and Structures	Infrastructure	Vehicles	Equipment	Computers Hardware	Assets under Construction	2019 Total
Cost, beginning of year	\$	6,600	\$ 17,915,791	\$ 17,022,290	\$ 2,822,751	\$ 3,474,256	\$ 492,977	\$ -	\$ 41,734,665
Additions		38,000	300,904	-	125,184	513,083	122,294	452,413	1,551,878
Cost, end of the year		44,600	18,216,695	17,022,290	2,947,935	3,987,339	615,271	452,413	43,286,543
Accumulated amortization, beginning of the year		-	8,707,895	8,393,810	2,495,802	2,328,521	396,975	-	22,323,003
Amortization		-	467,998	996,045	120,805	211,768	105,940	-	1,902,556
Disposals		-	-	-	-	-	-	-	-
Accumulated amortization, end of year		-	9,175,893	9,389,855	2,616,607	2,540,289	502,915	-	24,225,559
Net carrying amount, end of year	\$	44,600	\$ 9,040,802	\$ 7,632,435	\$ 331,328	\$ 1,447,050	\$ 112,356	\$ 452,413	\$ 19,060,984

									2018 Total
Cost, beginning of year	\$	6,600	\$ 17,011,994	\$ 16,676,250	\$ 2,472,941	\$ 2,649,504	\$ 411,547	\$ -	\$ 39,228,836
Additions		-	903,797	346,040	349,810	824,752	92,479	-	2,516,878
Transfers		-	-	-	-	-	(11,049)	-	(11,049)
Cost, end of the year		6,600	17,915,791	17,022,290	2,822,751	3,474,256	492,977	-	41,734,665
Accumulated amortization, beginning of the year		-	8,249,301	7,383,390	2,400,033	2,145,049	332,811	-	20,510,584
Amortization		-	458,594	1,010,420	95,769	183,472	75,213	-	1,823,468
Disposals		-	-	-	-	-	(11,049)	-	(11,049)
Accumulated amortization, end of year		-	8,707,895	8,393,810	2,495,802	2,328,521	396,975	-	22,323,003
Net carrying amount, end of year	\$	6,600	\$ 9,207,896	\$ 8,628,480	\$ 326,949	\$ 1,145,735	\$ 96,002	\$ -	\$ 19,411,662

WALPOLE ISLAND FIRST NATION
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

13. ACCUMULATED SURPLUS

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

	<u>2019</u>	<u>2018</u> (restated) (Note 17)
Operating reserve	\$ 37,547,624	\$ 32,443,695
Enterprise reserve (Note 6)	8,676,513	8,088,202
Government partnership	1,939,384	(1,526,104)
Internally restricted reserve		
Economic development	20,000	20,000
Triangle prairie	5,773	5,773
Waterworks	102,892	102,892
Land purchase future development	40,000	40,000
Aboriginal and treaty rights and defence	3,464,705	3,557,635
Externally restricted reserve		
Trust Funds in Ottawa	7,813,848	7,637,065
Ontario First Nations Limited Partnership	3,365,273	2,699,727
	<u>\$ 62,976,012</u>	<u>\$ 53,068,885</u>

14. CLASSIFICATION OF EXPENSE BY OBJECT (TYPE OF EXPENSE)

The consolidated statement of operations presents the expense by function; the following classifies the same expense by object.

Amortization	\$ 1,902,556	\$ 1,823,468
Bad debts	404,958	132,740
Consolidated revenue fund		
Administration	78,806	113,472
Childcare	240,249	306,232
Core services	76,228	80,086
Labour market programs	423,110	423,347
Partnership development	38,019	47,147
Construction and renovations	2,229	13,989
Consulting and management fees	443,991	587,867
Education services and allowances	2,834,200	2,765,207
Employment insurance fund		
Administration	17,244	29,296
Core services	35,250	-
Labour market programs	198,700	145,894
Partnership development	17,095	23,263
Equipment	57,983	180,168

WALPOLE ISLAND FIRST NATION
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

14. CLASSIFICATION OF EXPENSE BY OBJECT (TYPE OF EXPENSE) - continued

	<u>2019</u>	<u>2018</u>
General office and supplies	486,968	440,829
Grants, donations and incentives	25,457	36,799
Honoraria	291,882	220,963
Insurance	199,993	182,374
Interest and bank charges	1,449,811	1,751,085
Lower Indian Reserve distribution	595	7,390
Materials, supplies and outside purchases	4,561,531	3,434,498
Miscellaneous	400,888	483,854
Professional fees	407,221	383,517
Program resources	707,952	440,601
Rent and utilities	750,935	810,131
Repairs and maintenance	749,790	786,994
Social assistance benefits	5,120,333	4,996,362
Telephone	193,705	175,019
Training and professional development	1,277,223	1,128,673
Transportation	708,353	677,568
Travel	509,256	451,303
Vehicle	84,204	83,130
Wages and benefits	13,556,847	13,248,843
	\$ 38,253,563	\$ 36,447,540

15. SEGMENTED INFORMATION

Walpole Island First Nation is a diversified government institution that provides a wide range of services to its members, including education, infrastructure maintenance, medical and other health services, administration, capital, enterprises and other services.

For each reported segment, revenues and expenses include amounts that are directly attributable to the segment and amounts that are allocation on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information, including transfers that have been apportioned based on a percentage of budgeted expenses. The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements.

Services are provided by departments and their activities are reported in these segments. Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

Governance and Administration

The governance and administration department oversees the delivery of all governmental services. The department is responsible for ensuring that there are adequate policies and procedures in place to safeguard assets and to properly report financial activities. In addition, this department includes the government activities of Chief and Council.

WALPOLE ISLAND FIRST NATION
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

15. SEGMENTED INFORMATION – continued

Operations and Maintenance

The operations and maintenance department is responsible for monitoring and maintaining the First Nation resources. This department supports other departments of the First Nation to ensure the continued success of the services being provided to the community. This department is also responsible for public services such as the operation and maintenance of roads, the water and sanitation system and waste management. Maintenance of Band buildings and community infrastructure is also included in this segment.

Education

The education department provides services to elementary students through operation of Bkejwanong Elementary school, Bkejwanong Children's Centre and the public library. It also provides support for secondary students, primarily by entering into service contracts with provincially funded area school boards. In addition, the department supports post-secondary students by providing funds for tuition fees, books and living allowances.

Health and Social

The health department provides a diverse bundle of services directed towards the well-being of members including such activities as medical transportation, home support services, prenatal and early childhood care, nursing, health representation, traditional hearing and many other smaller programs designed to enhance the health of members.

The social assistance department is responsible for administering assistance payments as well as providing services directed towards members.

Economic Development

The economic development provides a wide array of other services, including fire protection, police protection, family violence prevention, youth employment projects and economic development. Also included are community events such as the Pow Wow and Community Days.

Housing and Band Rentals

The housing and band rentals department is responsible for all housing including rental units, CMHC rent-to-own housing and any Residential Repair Assistance Programs (RRAP).

Independent First Nations

The Independent First Nations department is responsible to provide services to the member of the First Nation that are funded by the Independent First Nations.

WALPOLE ISLAND FIRST NATION
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

16. BUDGET INFORMATION

The budget amounts for comparison purposes are unaudited and have been reclassified to conform to the financial statement presentation of the current year.

17. PRIOR PERIOD ADJUSTMENTS

The financial statements for the year-ended March 31, 2018 have been restated to adjust for the following for the following

- Giiwedín Noodin FN Energy Corporation being recorded as portfolio investment instead of a government business enterprise
- Accounts receivable from Aboriginal Skills and Employment Training Strategy were overstated for March 31, 2018 and March 31, 2017 by \$488,366.
- Consolidation of investment in WIFN Development LP

As a result of the prior period adjustment, cash of \$5,521,041 as at March 31, 2018 has been restated as \$5,716,774., Investment in related parties of \$12,050,566 as at March 31, 2018 was restated as \$8,088,202. Investment in government partnerships not previously recorded as of March 31, 2018 was recorded as \$19,211,763. Long-term debt government partnership not previously recorded as of March 31, 2018 was restated as \$20,933,600. Opening accumulated surplus of \$53,431,612 as at March 31, 2018 was restated as \$49,928,406. Accumulated surplus end of year of \$59,045,719 as at March 31, 2018 was restated as \$53,068,885. Interest and dividends of \$376,127 as of March 31, 2018 was restated as \$571,888. Expense of \$34,725,675 as at March 31, 2018 was restated as \$36,447,540. Net earnings from government business enterprises of \$1,125,982 was restated as \$178,458. Accounts receivable of \$5,268,866 as at March 31, 2018 was restated as \$4,780,500.

18. COMPARATIVE FIGURES

Certain of the prior year's figures have been reclassified to conform to the presentation of the current year.

WALPOLE ISLAND FIRST NATION

Schedule of Revenue and Expense

Governance and administration

For the year ended March 31, 2019

Schedule 1

	<u>2019</u>	<u>2018</u>
Revenue		
Indigenous Services Canada		
Grant	\$ 741,860	\$ 744,349
Fixed contribution	664,551	507,529
Set contribution	36,143	16,181
Lease, rent and hosting	325,415	121,293
Other	70,871	91,672
	<u>1,838,840</u>	<u>1,481,022</u>
Expense		
Amortization	205,926	187,827
Bad debt recovery	(2,180)	-
Equipment	2,088	2,374
General office and supplies	84,725	53,455
Honoraria	246,547	175,313
Insurance	8,479	7,895
Interest and bank charges	33,218	28,644
Material, supplies and outside purchases	438,074	132,103
Miscellaneous	853	-
Professional services	394,517	372,118
Rent and utilities	24,395	7,821
Telephone	48,525	47,153
Training and professional development	31,976	18,627
Travel	125,185	133,910
Vehicle	1,907	3,145
Wages and benefits	1,558,817	1,594,043
	<u>3,203,052</u>	<u>2,764,429</u>
Annual deficit	\$ (1,364,211)	\$ (1,283,407)

WALPOLE ISLAND FIRST NATION

Schedule of Revenue and Expense

Operations and maintenance

For the year ended March 31, 2019

Schedule 2

	<u>2019</u>	<u>2018</u> restated (Note 17)
Revenue		
Indigenous Services Canada		
Fixed contribution	\$ 1,320,313	\$ 1,238,509
Set contribution	-	60,000
Other federal funding	28,796	761,901
Province of Ontario	263,860	208,794
Ontario First Nations Limited Partnership	2,546,887	2,016,521
Lease, rent and hosting	947,798	1,001,547
Interest and dividends	5,405,374	567,946
User fees	286,138	296,039
Other	5,326,361	5,224,201
	16,125,527	11,375,458
Expense		
Amortization	1,397,373	1,198,431
Bad debts	406,617	99,330
Consulting and management fees	244,580	395,511
Equipment	18,383	16,658
General office and supplies	(33,241)	18,073
Grants, donations and incentives	-	650
Honoraria	4,050	3,100
Insurance	111,159	99,057
Interest and bank charges	1,416,286	1,722,188
Lower Indian Reserve disbursements	595	7,390
Material, supplies and outside purchases	963,514	1,025,622
Miscellaneous	400,036	483,854
Program resources	707,952	440,601
Recovery of surplus from funding sources	-	-
Rent and utilities	271,437	333,096
Repair and maintenance	450,404	530,807
Social service benefits	290,936	158,752
Telephone	29,115	27,973
Training and professional development	15,938	83,069
Travel	9,847	29,493
Vehicle	41,766	21,454
Wages and benefits	1,281,146	1,422,228
	8,027,891	8,117,337
Annual surplus	\$ 8,097,636	\$ 3,258,121

WALPOLE ISLAND FIRST NATION

Schedule of Revenue and Expense

Education

For the year ended March 31, 2019

Schedule 3

	<u>2019</u>	<u>2018</u>
Revenue		
Indigenous Services Canada		
Fixed contribution	\$ 6,474,715	\$ 6,143,892
Set contribution	1,071,500	1,068,344
Human Resources and Skills Development Canada	5,267	-
Province of Ontario	1,357,833	1,197,950
Lease and rent revenue	12,533	9,240
User fees	55,873	58,612
Other	1,141,734	883,600
	<u>10,119,455</u>	<u>9,361,638</u>
Expense		
Amortization	81,942	191,439
Construction and renovations	2,229	-
Consulting and management fees	199,412	192,356
Education services and allowances	2,834,200	2,765,207
Equipment	9,419	72,122
General office and supplies	75,916	47,263
Honoraria	31,611	36,175
Insurance	23,180	24,438
Materials, supplies and outside purchases	580,800	525,740
Rent and utilities	142,073	149,437
Repairs and maintenance	74,656	60,821
Telephone	20,211	14,772
Training and professional development	259,680	158,239
Transportation	469,823	458,937
Travel	67,815	67,021
Vehicle	8,337	12,166
Wages and benefits	4,542,375	4,538,050
	<u>9,423,678</u>	<u>9,314,183</u>
Annual surplus	\$ 695,777	\$ 47,456

WALPOLE ISLAND FIRST NATION

Schedule of Revenue and Expense

Health and Social

For the year ended March 31, 2019

Schedule 4

	<u>2019</u>	<u>2018</u>
Revenue		
Indigenous Services Canada		
Fixed contribution	\$ 1,345,102	\$ 755,055
Set contribution	339,809	218,377
Health Canada	3,941,468	3,305,867
Independent First Nation	1,685	-
Province of Ontario	9,219,550	9,040,436
User fees	10,893	8,627
Other	52,106	232,012
	<u>14,910,614</u>	<u>13,560,374</u>
Expense		
Amortization	110,740	57,536
Bad debts	551	1,257
Construction and renovations	-	13,989
Equipment	7,385	83,876
General office and supplies	328,389	278,361
Grants, donations and incentives	25,457	36,149
Honoraria	900	-
Insurance	12,553	12,613
Materials, supplies and outside purchases	1,541,519	1,258,061
Professional fees	3,168	-
Rent and utilities	138,560	112,119
Repairs and maintenance	83,151	28,015
Social assistance benefits	4,829,397	4,837,610
Telephone	69,822	60,160
Training and professional development	924,710	807,195
Transportation	238,530	218,630
Travel	216,000	167,912
Vehicle	20,403	22,707
Wages and benefits	5,156,202	4,758,966
	<u>13,707,435</u>	<u>12,755,155</u>
Annual surplus	\$ 1,203,180	\$ 805,219

WALPOLE ISLAND FIRST NATION

Schedule of Revenue and Expense

Economic development

For the year ended March 31, 2019

Schedule 5

	2019	2018
Revenue		
Indigenous Services Canada		
Fixed contribution	\$ 1,086,558	\$ 343,026
Set contribution	24,857	50,000
Health Canada	15,000	15,000
Human Resources and Skills Development Canada	1,249,616	1,279,907
Other federal funding	238,790	451,104
Province of Ontario	94,292	93,407
Interest and dividends	7,136	3,941
User fees	194,824	208,928
Other	999,487	280,508
	3,910,559	2,725,821
Expense		
Amortization	62,818	144,478
Bad debts (recovery)	(30)	32,153
Consolidated revenue fund		
Administration	78,806	113,473
Childcare	240,249	306,232
Core services	76,228	80,086
Labour market programs	423,110	423,347
Partnership development	38,019	47,147
Employment insurance fund		
Administration	17,244	29,296
Core services	35,250	35,432
Labour market programs	198,700	145,894
Partnership development	17,095	23,263
Equipment	20,709	-
General office and supplies	29,428	38,750
Honoraria	2,299	3,175
Insurance	32,496	31,797
Materials, supplies and outside purchases	979,454	464,215
Professional fees	9,536	11,399
Rent and utilities	142,029	156,465
Repairs and maintenance	51,041	58,103
Telephone	23,033	22,044
Training and professional development	12,736	39,624
Travel	87,810	50,468
Vehicle	11,792	23,659
Wages and benefits	831,154	703,350
	3,421,007	2,983,850
Annual surplus (deficit)	\$ 489,552	\$ (258,028)

WALPOLE ISLAND FIRST NATION

Schedule of Revenue and Expense

Housing and Band rentals

For the year ended March 31, 2019

Schedule 6

	<u>2019</u>	<u>2018</u>
Revenue		
Indigenous Services Canada		
Fixed contribution	\$ 368,112	\$ 622,326
Canadian Mortgage and Housing Corporation ("CMHC")	-	48,244
Lease, rent and hosting	78,071	77,696
User fees	17,709	12,111
Other revenue	3,910	-
	<u>467,802</u>	<u>760,377</u>
Expense		
Amortization	43,757	43,757
General office and supplies	1,285	3,948
Honoraria	6,475	3,200
Insurance	12,125	6,574
Interest and bank charges	308	252
Materials, supplies and outside purchases	27,452	22,211
Rent and utilities	30,841	49,592
Repairs and maintenance	90,538	109,249
Telephone	2,999	2,918
Training and professional development	273	799
Travel	1,404	1,781
Wages and benefits	144,057	173,212
	<u>361,515</u>	<u>417,493</u>
Annual surplus	\$ 106,287	\$ 342,884

WALPOLE ISLAND FIRST NATION

Schedule of Revenue and Expense

Independent First Nations

For the year ended March 31, 2019

Schedule 7

	<u>2019</u>	<u>2018</u>
Revenue		
Independent First Nations	\$ 171,485	\$ 144,871
Expense		
Equipment	-	5,139
General office and supplies	466	980
Materials, supplies and outside purchases	30,718	6,545
Rent and utilities	1,600	1,600
Training and professional development	31,909	21,120
Travel	1,195	719
Wages and benefits	43,098	58,995
	<u>108,986</u>	<u>95,098</u>
Annual surplus	\$ 62,499	\$ 49,773