

*Consolidated Financial Statements of*

**WALPOLE ISLAND FIRST NATION**

*March 31, 2020*



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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, 2020, 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, 2020, 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.

#### Emphasis of Matter – Restated Comparative Information

We draw attention to Note 3 to the financial statements, which explains that certain comparative information presented for the year ended March 31, 2019 has been restated. Our opinion is not modified in respect of this matter.

#### 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*

London, Ontario  
March 26, 2021

**WALPOLE ISLAND FIRST NATION**  
**Notes to the Consolidated Financial Statements**  
**For the year ended March 31, 2020**

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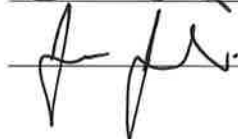
**WALPOLE ISLAND FIRST NATION**  
**Consolidated Statement of Financial Position**  
As at March 31, 2020

	<u>2020</u>	<u>2019</u> (Restated)
<b>FINANCIAL ASSETS</b>		
Cash	\$ 34,623,219	\$ 14,726,046
Short-term deposits	4,070,797	12,558,134
Trust funds in Ottawa (Note 4)	943,697	7,813,848
Accounts receivable (Note 5)	4,747,799	4,805,857
Loans to Band members (Note 6)	3,290,745	3,449,224
Investment in related parties (Note 7)	8,706,358	8,704,658
Investment in energy projects (Note 9)	9,451,151	6,819,756
Investment in government partnership (Note 8)	19,211,763	19,211,763
	<b>85,045,529</b>	<b>78,089,286</b>
<b>LIABILITIES</b>		
Accounts payable and accrued charges	3,123,199	4,499,252
Payable to funding sources	2,265,923	2,102,174
Deferred revenue (Note 10)	3,063,610	1,598,247
Rental deposits	10,000	7,750
Housing commitments	643,341	406,513
Post secondary school student allowances	-	-
Long-term debt (Note 11)	1,075,623	180,331
Long-term debt government partnership (Note 12)	16,552,465	18,651,595
	<b>26,734,161</b>	<b>27,445,861</b>
<b>CONTINGENT LIABILITIES (Note 13)</b>		
<b>NET FINANCIAL ASSETS</b>	<b>58,311,368</b>	<b>50,643,425</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 14)	18,291,433	19,060,984
Prepaid assets	156,007	91,358
	<b>18,447,440</b>	<b>19,152,342</b>
<b>ACCUMULATED SURPLUS (Note 15)</b>	<b>\$ 76,758,808</b>	<b>\$ 69,795,767</b>

APPROVED BY THE BAND



Chief of Band



Director of Operations

# WALPOLE ISLAND FIRST NATION

## Consolidated Statement of Operations

For the year ended March 31, 2020

	2020 Budget	2020 Actual	2019 Actual (Restated)
<b>REVENUE</b>			
Indigenous Services Canada ("ISC")			
Grant	\$ 590,012	\$ 442,664	\$ 741,860
Fixed contribution	13,490,484	12,730,695	11,259,351
Set contribution	1,006,618	1,022,217	1,472,309
Health Canada	4,415,392	4,056,925	3,956,468
Human Resources and Skills Development Canada	-	748,029	1,249,616
Other federal funding	-	420,145	272,853
Province of Ontario	11,450,354	10,869,471	10,935,535
Independent First Nations	-	187,263	173,170
Ontario First Nations Limited Partnership	2,693,262	2,198,996	2,546,887
Lease, rent and hosting	-	1,095,302	1,363,817
Interest and dividends	-	4,082,688	5,412,510
User fees	-	582,068	565,437
Other	-	5,947,736	7,594,470
	<b>33,646,122</b>	<b>44,384,200</b>	<b>47,544,282</b>
<b>EXPENSE</b>			
Governance and administration - Schedule 1	2,956,673	3,344,375	3,203,052
Operations and maintenance - Schedule 2	2,947,244	7,665,748	8,027,891
Education - Schedule 3	14,563,779	10,720,542	9,423,678
Health and social - Schedule 4	16,821,173	14,779,104	13,707,435
Economic development - Schedule 5	2,185,317	2,715,840	3,421,007
Housing and Band rentals - Schedule 6	1,006,436	671,228	361,515
Independent First Nations - Schedule 7	-	165,875	108,986
	<b>40,480,622</b>	<b>40,062,712</b>	<b>38,253,563</b>
Annual surplus (deficit) from operations before other items	(6,834,500)	4,321,488	9,290,720
Net earnings from investment in energy projects	-	2,631,396	2,857,389
Net earnings from government enterprises	-	10,157	616,407
<b>ANNUAL SURPLUS (DEFICIT) (Note 15)</b>	<b>\$ (6,834,500)</b>	<b>\$ 6,963,041</b>	<b>\$ 12,764,516</b>
Accumulated Surplus, beginning of year (Note 15)		69,795,767	57,031,251
<b>ACCUMULATED SURPLUS, END OF YEAR (Note 15)</b>		<b>\$ 76,758,808</b>	<b>\$ 69,795,767</b>

**WALPOLE ISLAND FIRST NATION****Consolidated Statement of Change in Net Financial Assets****For the year ended March 31, 2020**

	<b>2020 Budget</b>	<b>2020 Actual</b>	<b>2019 Actual (Restated)</b>
<b>ANNUAL SURPLUS</b>			
Annual surplus (deficit)	\$ (6,834,500)	\$ 6,963,041	\$ 12,764,516
Acquisition of tangible capital assets	-	(1,159,184)	(1,551,878)
Amortization of tangible capital assets	-	1,928,736	1,902,556
	<b>(6,834,500)</b>	<b>7,732,593</b>	<b>13,115,194</b>
Acquisition of prepaid assets	-	(156,007)	(91,358)
Utilization of prepaid assets	-	91,358	296,784
	-	<b>(64,649)</b>	<b>205,426</b>
<b>NET CHANGE IN NET FINANCIAL ASSETS</b>	<b>(6,834,500)</b>	<b>7,667,944</b>	<b>13,320,619</b>
Net financial assets, beginning of year	<b>50,643,425</b>	<b>50,643,425</b>	<b>37,322,805</b>
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	<b>\$ 43,808,925</b>	<b>\$ 58,311,369</b>	<b>\$ 50,643,424</b>

**WALPOLE ISLAND FIRST NATION****Consolidated Statement of Cash Flows**

As at March 31, 2020

	<u>2020</u>	<u>2019</u> (Restated)
<b>OPERATING ACTIVITIES</b>		
Annual surplus	\$ 6,963,041	\$ 12,764,516
Items not affecting cash		
Decrease (increase) in trust funds in Ottawa	6,870,151	(176,783)
Net earnings from investment in energy projects	\$ (2,631,396)	\$ (2,857,389)
Amortization of tangible capital assets	1,928,736	1,902,556
	<u>13,130,532</u>	<u>11,632,900</u>
Changes in non-cash working capital items		
Accounts receivable	58,058	(25,357)
Accounts payable	(1,376,053)	675,918
Payable to funding sources	163,749	671,424
Deferred revenue	1,465,363	94,253
Rental deposits	2,250	(1,575)
Housing commitments	236,829	194,401
Post secondary school student allowances	-	
Prepaid expenses	(64,649)	205,426
	<u>13,616,079</u>	<u>13,447,390</u>
<b>CAPITAL ACTIVITIES</b>		
Purchase of tangible capital assets	(1,159,184)	(1,551,878)
<b>INVESTING ACTIVITIES</b>		
Purchase of short-term investments	8,487,337	(187,070)
Increase in investment in related parties	(1,700)	(616,457)
Net decrease in loans to Band members	158,479	116,202
	<u>8,644,116</u>	<u>(687,325)</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from long-term debt	895,292	83,091
Repayment of long-term debt partnerships	(2,099,130)	(2,282,005)
	<u>(1,203,838)</u>	<u>(2,198,914)</u>
<b>NET CHANGE IN CASH POSITION</b>	<u>19,897,173</u>	<u>9,009,272</u>
Cash position, beginning of year	<u>14,726,046</u>	<u>5,716,774</u>
<b>CASH POSITION, END OF YEAR</b>	<u>\$ 34,623,219</u>	<u>\$ 14,726,046</u>



# **WALPOLE ISLAND FIRST NATION**

## **Notes to the Consolidated Financial Statements**

**For the year ended March 31, 2020**

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### **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.

#### *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. Commitments outstanding at the end of the year are reported as liabilities.

# WALPOLE ISLAND FIRST NATION

## Notes to the Consolidated Financial Statements

For the year ended March 31, 2020

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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.

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.

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.

**WALPOLE ISLAND FIRST NATION**  
**Notes to the Consolidated Financial Statements**  
**For the year ended March 31, 2020**

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**2. ACCOUNTING POLICIES - continued**

*Revenue recognition – continued*

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, 2020, 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.

*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.

**WALPOLE ISLAND FIRST NATION**  
**Notes to the Consolidated Financial Statements**  
For the year ended March 31, 2020

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**3. PRIOR PERIOD ADJUSTMENT**

The investment in Giiwedini Noodin FN Energy Corporation have been reclassified as other investments.

The impact of these adjustments on the March 31, 2019 financial statements are as follows:

	<u>As previously stated</u>	<u>Restated</u>
Investment in related parties	\$ 8,704,659	\$ 8,704,658
Net investment in energy projects	\$ -	\$ 6,819,756
Net investment in energy projects revenue	\$ -	\$ 2,857,389
Accumulated Surplus	\$ 53,068,885	\$ 57,031,251

**4. TRUST FUNDS IN OTTAWA**

	<u>2020</u>	<u>2019</u>
Revenue trust fund	\$ 105,999	\$ 6,976,150
Capital trust fund	837,698	837,698
	<u>\$ 943,697</u>	<u>\$ 7,813,848</u>

**5. ACCOUNTS RECEIVABLE**

	<u>2020</u>	<u>2019</u>
Federal Government programs	\$ 2,130,867	\$ 3,194,811
Provincial Government programs	53,553	197,956
Other program receivables	2,332,466	1,323,284
Other receivables – net of allowance of \$1,716,376	215,402	62,916
HST recoverable	15,512	26,890
	<u>\$ 4,747,799</u>	<u>\$ 4,805,857</u>

**6. LOANS TO BAND MEMBERS**

	<u>2020</u>	<u>2019</u>
Housing loans	\$ 7,245,032	\$ 6,904,009
Less: allowance for doubtful loans	3,954,287	3,454,785
	<u>\$ 3,290,745</u>	<u>\$ 3,449,224</u>

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

**WALPOLE ISLAND FIRST NATION**  
**Notes to the Consolidated Financial Statements**  
**For the year ended March 31, 2020**

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**7. 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>2020</u>	<u>2019</u>
Advances to		
Tahgahoning Enterprises Inc.	\$ 457,252	\$ 457,252
Walpole Algonac Ferry Ltd.	407,624	407,624
Three Fires Development Corporation	19,639	-
	<u>884,515</u>	<u>864,876</u>
Equity		
Three Fires Development Corporation	1,323,683	1,325,472
Tahgahoning Enterprises Inc.	6,158,020	6,146,285
Walpole Algonac Ferry Ltd.	340,140	368,025
	<u>7,821,843</u>	<u>7,839,782</u>
	<u>\$ 8,706,358</u>	<u>\$ 8,704,658</u>

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.

Tahgahoning Enterprises Inc. leases approximately 3,740 acres of land from Walpole First Nation annually. Lease agreements are in place until June 26, 2029. Land rent received in the year was \$525,000 (2019 - \$525,000).

**WALPOLE ISLAND FIRST NATION**  
**Notes to the Consolidated Financial Statements**  
For the year ended March 31, 2020

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**7. INVESTMENT IN RELATED PARTIES – CONTINUED**

Financial statements for each of the Band controlled corporations have been prepared for the year ended March 31, 2020. The key numbers from those financial statements relating to Walpole Island First Nation's ownership is as follows:

	<u>2020</u>	<u>2019</u>
<b>Three Fires Development Corporation</b>		
Assets	\$ 1,441,312	\$ 1,482,707
Liabilities	\$ 117,629	\$ 157,235
Shareholder's equity	\$ 1,323,683	\$ 1,325,472
Revenue	\$ 354,029	\$ 357,486
Expenses	\$ 355,818	\$ 350,177
<b>Tahgahoning Enterprises Inc.</b>		
Assets	\$ 7,679,447	\$ 7,681,175
Liabilities	\$ 1,521,427	\$ 1,534,890
Shareholder's equity	\$ 6,158,020	\$ 6,146,285
Revenue	\$ 3,943,575	\$ 4,520,975
Expenses	\$ 3,931,840	\$ 3,983,614
<b>Walpole Algonac Ferry Ltd.</b>		
Assets	\$ 835,838	\$ 846,761
Liabilities	\$ 88,074	\$ 479,546
Shareholder's equity	\$ 747,764	\$ 367,215
Revenue	\$ 913,135	\$ 970,405
Expenses	\$ 939,941	\$ 899,668

**8. 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, 2020

**9. NET INVESTMENT IN ENERGY PROJECTS**

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Giiwedín Noodin FN Energy Corporation		
Total assets	\$ 14,887,576	\$ 14,898,566
Total liabilities	5,436,425	8,078,811
	<u>\$ 9,451,151</u>	<u>\$ 6,819,756</u>

The net investment in energy projects is accounted for on a net basis due to the limited recourse debt noted in each arrangement. Each debt agreement with the lenders for each project contains a waterfall clause that limits distributions. In addition, each corporation's investment in a wind energy partnership is pledged as security for the related debt.

**10. DEFERRED REVENUE**

	<u>2020</u>	<u>2019</u>
Human Resources and Skills Development Canada	\$ 482,568	\$ 286,864
Other funding sources	1,593,892	383,627
Leases and hosting agreements	987,150	927,756
	<u>\$ 3,063,610</u>	<u>\$ 1,598,247</u>

**11. LONG-TERM DEBT**

	<u>2020</u>	<u>2019</u>
0% promissory note due March 2020	\$ 97,240	\$ 97,240
0% promissory note due March 2023	83,091	83,091
0% promissory note due March 2023	103,910	-
0.98% housing project loan repayable in blended monthly instalments of \$4,816 due April 2023 – Phase 1	791,382	-
	<u>\$ 1,075,623</u>	<u>\$ 180,331</u>

Principal amount due next two years is as follows:

2020	\$ 97,240
2023	\$ 978,383

**WALPOLE ISLAND FIRST NATION**  
**Notes to the Consolidated Financial Statements**  
For the year ended March 31, 2020

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**12. LONG-TERM DEBT GOVERNMENT PARTNERSHIPS**

	<u>2020</u>	<u>2019</u>
7% loan payable relating to WIFN NK Borrower LP, due August 30, 2033	\$ 7,012,305	\$ 7,903,953
7% loan payable relating to WIFN BR Borrower LP due February 27, 2033	9,540,160	10,747,642
	<u>\$ 16,552,465</u>	<u>\$ 18,651,595</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.

**13. 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, 2020

**14. TANGIBLE CAPITAL ASSETS**

	Land	Building and Structures	Infrastructure	Vehicles	Equipment	Computers Hardware	Assets under Construction	2020 Total
Cost, beginning of year	\$ 44,600	\$ 18,216,695	\$ 17,022,290	\$ 2,947,935	\$ 3,987,339	\$ 615,271	\$ 452,413	\$ 43,286,543
Additions		542,348		281,376	21,311	36,952	277,198	1,159,185
Transfers	-	452,433	-	-	-	-	(452,433)	-
Disposals						(400,498)		(400,498)
Cost, end of the year	44,600	19,211,476	17,022,290	3,229,311	4,008,650	251,725	277,178	44,045,230
Accumulated amortization, beginning of the year	-	9,175,893	9,389,855	2,616,607	2,540,289	502,915	-	24,225,559
Amortization	-	496,370	996,045	177,080	175,333	83,908	-	1,928,736
Disposals	-	-	-	-	-	(400,498)	-	(400,498)
Accumulated amortization, end of year	-	9,672,263	10,385,900	2,793,687	2,715,622	186,325	-	25,753,797
Net carrying amount, end of year	\$ 44,600	\$ 9,539,213	\$ 6,636,390	\$ 435,624	\$ 1,293,028	\$ 65,400	\$ 277,178	\$ 18,291,433
<hr/>								
	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
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	\$ 452,413.00	\$ 19,060,984

**WALPOLE ISLAND FIRST NATION**  
**Notes to the Consolidated Financial Statements**  
For the year ended March 31, 2020

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**15. ACCUMULATED SURPLUS**

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

	<u>2020</u>	<u>2019</u>
Operating reserve	\$ 45,117,733	\$ 37,519,478
Enterprise reserve (Note 7)	8,706,358	8,704,658
Investment in energy project	9,451,151	6,819,756
Government partnership	4,038,004	1,939,384
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	3,464,705
Externally restricted reserve		
Trust Funds in Ottawa	943,697	7,813,848
Ontario First Nations Limited Partnership	4,868,495	3,365,273
	<u>\$ 76,758,808</u>	<u>\$ 69,795,767</u>

**16. COVID-19**

Subsequent to year end, the global pandemic of COVID-19 has disrupted economic activities and supply chains. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of business disruption, the related financial impact cannot be reasonably estimated at this time. The entity does not expect a material decrease in funding revenue and expects services to its members to continue. Management is actively monitoring the affect on its financial condition, liquidity, operations and workforce. At this time, the full potential impact of COVID-19 on the entity is not known.

**WALPOLE ISLAND FIRST NATION**  
**Notes to the Consolidated Financial Statements**  
**For the year ended March 31, 2020**

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**17. 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.

	<u>2020</u>	<u>2019</u>
Amortization	\$ 1,928,736	\$ 1,902,556
Bad debts	329,963	404,958
Consolidated revenue fund		
Administration	72,220	78,806
Childcare	240,252	240,249
Core services	114,593	76,228
Labour market programs	298,395	423,110
Partnership development	45,827	38,019
Construction and renovations	-	2,229
Consulting and management fees	147,643	443,991
Education services and allowances	2,682,709	2,834,200
Employment insurance fund		
Administration	28,269	17,244
Core services	53,777	35,250
Labour market programs	133,587	198,700
Partnership development	22,114	17,095
Equipment	150,872	57,983
General office and supplies	588,016	486,968
Grants, donations and incentives	39,657	25,457
Honoraria	284,754	291,882
Insurance	226,569	199,993
Interest and bank charges	1,299,265	1,449,811
Lower Indian Reserve distribution	-	595
Materials, supplies and outside purchases	4,451,267	4,561,531
Miscellaneous	500,123	400,888
Professional fees	256,926	407,221
Program resources	550,778	707,952
Rent and utilities	755,038	750,935
Repairs and maintenance	956,942	749,790
Social assistance benefits	4,961,156	5,120,333
Telephone	211,558	193,705
Training and professional development	1,389,574	1,277,223
Transportation	685,202	708,353
Travel	367,503	509,256
Vehicle	249,275	84,204
Wages and benefits	16,040,151	13,556,847
	<u>\$ 40,062,712</u>	<u>\$ 38,253,563</u>

# **WALPOLE ISLAND FIRST NATION**

## **Notes to the Consolidated Financial Statements**

**For the year ended March 31, 2020**

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### **18. 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.

#### **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.

**WALPOLE ISLAND FIRST NATION**  
**Notes to the Consolidated Financial Statements**  
**For the year ended March 31, 2020**

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**18. SEGMENTED INFORMATION – CONTINUED**

**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.

**19. 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.

**20. 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, 2020

### Schedule 1

	2020	2019
Revenue		
Indigenous Services Canada		
Grant	\$ 442,664	\$ 741,860
Fixed contribution	416,242	664,551
Set contribution	-	36,143
Lease, rent and hosting	123,113	325,415
Other	28,461	160,374
	<b>1,010,479</b>	<b>1,928,343</b>
Expense		
Amortization	194,312	205,926
Bad debt (recovery)	205	(2,180)
Equipment	12,907	2,088
General office and supplies	46,819	84,725
Honoraria	272,304	246,547
Insurance	11,167	8,479
Interest and bank charges	86,753	33,218
Material, supplies and outside purchases	626,640	438,074
Miscellaneous	-	853
Professional services	242,138	394,517
Rent and utilities	5,500	24,395
Telephone	64,800	48,525
Training and professional development	80,804	31,976
Travel	162,719	125,185
Vehicle	2,087	1,907
Wages and benefits	1,535,221	1,558,817
	<b>3,344,375</b>	<b>3,203,052</b>
Annual deficit	\$ (2,333,896)	\$ (1,274,708)

# WALPOLE ISLAND FIRST NATION

## Schedule of Revenue and Expense

Operations and maintenance

For the year ended March 31, 2020

### Schedule 2

	<u>2020</u>	<u>2019</u>
Revenue		
Indigenous Services Canada		
Fixed contribution	\$ 1,381,725	\$ 1,320,313
Other federal funding	-	28,796
Province of Ontario	277,377	263,860
Ontario First Nations Limited Partnership	2,198,996	2,546,887
Lease, rent and hosting	870,589	947,798
Interest and dividends	4,064,862	5,405,374
User fees	266,760	286,138
Other	4,597,973	5,326,361
	<u>13,658,281</u>	<u>16,125,527</u>
Expense		
Amortization	1,428,460	1,397,373
Bad debts	315,535	406,617
Consulting and management fees	115,674	244,580
Equipment	5,058	18,383
General office and supplies	28,305	(33,241)
Honoraria	4,125	4,050
Insurance	131,952	111,159
Interest and bank charges	1,211,628	1,416,286
Lower Indian Reserve disbursements	-	595
Material, supplies and outside purchases	864,470	963,514
Miscellaneous	500,123	400,036
Program resources	550,778	707,952
Rent and utilities	309,962	271,437
Repair and maintenance	414,590	450,404
Algonac Ferry allocation	192,022	290,936
Telephone	30,158	29,115
Training and professional development	39,884	15,938
Travel	2,672	9,847
Vehicle	123,048	41,766
Wages and benefits	1,397,303	1,281,145
	<u>7,665,748</u>	<u>8,027,891</u>
Annual surplus	\$ 5,992,533	\$ 8,097,636

# WALPOLE ISLAND FIRST NATION

## Schedule of Revenue and Expense

### Education

For the year ended March 31, 2020

### Schedule 3

	<u>2020</u>	<u>2019</u>
Revenue		
Indigenous Services Canada		
Fixed contribution	\$ 8,339,335	\$ 6,474,715
Set contribution	877,698	1,071,500
Human Resources and Skills Development Canada	-	5,267
Province of Ontario	1,083,070	1,357,833
Lease and rent revenue	9,240	12,533
User fees	54,486	55,873
Other	911,568	1,141,734
	<u>11,275,397</u>	<u>10,119,455</u>
Expense		
Amortization	81,942	81,942
Construction and renovations	-	2,229
Consulting and management fees	3,802	199,412
Education services and allowances	2,682,709	2,834,200
Equipment	113,717	9,419
General office and supplies	86,282	75,916
Honoraria	-	31,611
Insurance	25,546	23,180
Materials, supplies and outside purchases	838,000	580,800
Rent and utilities	146,176	142,073
Repairs and maintenance	100,736	74,656
Telephone	15,466	20,211
Training and professional development	395,827	259,680
Transportation	477,257	469,823
Travel	28,685	67,815
Vehicle	10,613	8,337
Wages and benefits	5,713,784	4,542,375
	<u>10,720,542</u>	<u>9,423,678</u>
Annual surplus	\$ 554,855	\$ 695,777



# WALPOLE ISLAND FIRST NATION

## Schedule of Revenue and Expense

### Health and Social

For the year ended March 31, 2020

### Schedule 4

	<u>2020</u>	<u>2019</u>
Revenue		
Indigenous Services Canada		
Fixed contribution	\$ 1,235,705	\$ 1,345,102
Set contribution	144,519	339,809
Health Canada	4,041,925	3,941,468
Independent First Nation	15,778	1,685
Province of Ontario	9,324,025	9,219,550
User fees	-	10,893
Other	360,234	52,107
	<u>15,147,186</u>	<u>14,910,615</u>
Expense		
Amortization	110,740	110,740
Bad debts	13,394	551
Equipment	12,353	7,385
General office and supplies	387,205	328,389
Grants, donations and incentives	39,657	25,457
Honoraria	-	900
Insurance	19,396	12,553
Materials, supplies and outside purchases	1,685,138	1,541,519
Professional fees	14,789	3,168
Rent and utilities	116,107	138,560
Repairs and maintenance	26,892	83,151
Social assistance benefits	4,769,134	4,829,397
Telephone	72,976	69,822
Training and professional development	816,872	924,710
Transportation	207,945	238,530
Travel	136,709	216,000
Vehicle	92,523	20,403
Wages and benefits	6,229,108	5,156,202
	<u>14,779,104</u>	<u>13,707,435</u>
Annual surplus	\$ 368,082	\$ 1,203,180

# WALPOLE ISLAND FIRST NATION

## Schedule of Revenue and Expense

Economic development

For the year ended March 31, 2020

### Schedule 5

	2020	2019
Revenue		
Indigenous Services Canada		
Fixed contribution	\$ 443,804	\$ 1,086,558
Set contribution	-	24,857
Health Canada	15,000	15,000
Human Resources and Skills Development Canada	748,029	1,249,616
Other federal funding	395,145	238,790
Province of Ontario	185,000	94,292
Interest and dividends	17,827	7,136
User fees	239,878	194,824
Other	46,363	999,487
	<b>2,091,046</b>	<b>3,910,559</b>
Expense		
Amortization	62,818	62,818
Bad debts (recovery)	(1)	(30)
Consolidated revenue fund		
Administration	72,220	78,806
Childcare	240,252	240,249
Core services	114,593	76,228
Labour market programs	298,395	423,110
Partnership development	45,827	38,019
Employment insurance fund		
Administration	28,269	17,244
Core services	53,777	35,250
Labour market programs	133,587	198,700
Partnership development	22,114	17,095
Equipment	-	20,709
General office and supplies	23,108	29,428
Honoraria	450	2,299
Insurance	31,412	32,496
Materials, supplies and outside purchases	374,790	979,454
Professional fees	-	9,536
Rent and utilities	135,155	142,029
Repairs and maintenance	79,431	51,041
Telephone	23,581	23,033
Training and professional development	22,655	12,736
Travel	24,916	87,810
Vehicle	21,005	11,792
Wages and benefits	907,486	831,154
	<b>2,715,840</b>	<b>3,421,007</b>
Annual surplus (deficit)	\$ (624,794)	\$ 489,552

# WALPOLE ISLAND FIRST NATION

## Schedule of Revenue and Expense

Housing and Band rentals

For the year ended March 31, 2020

**Schedule 6**

	<u>2020</u>	<u>2019</u>
Revenue		
Indigenous Services Canada		
Fixed contribution	\$ 913,885	\$ 368,112
Lease, rent and hosting	92,360	78,071
User fees	20,945	17,709
Other revenue	3,136	3,910
	<u>1,030,326</u>	<u>467,802</u>
Expense		
Amortization	50,465	43,757
Bad debts recovery	829	-
Equipment	3,387	-
General office and supplies	2,236	1,285
Honoraria	7,875	6,475
Insurance	7,096	12,125
Interest and bank charges	885	308
Materials, supplies and outside purchases	53,808	27,452
Rent and utilities	37,538	30,841
Repairs and maintenance	335,293	90,538
Telephone	4,577	2,999
Training and professional development	7,705	273
Travel	2,603	1,404
Wages and benefits	156,932	144,057
	<u>671,228</u>	<u>361,515</u>
Annual surplus	\$ 359,098	\$ 106,288

# WALPOLE ISLAND FIRST NATION

## Schedule of Revenue and Expense

Independent First Nations

For the year ended March 31, 2020

**Schedule 7**

	<u>2020</u>	<u>2019</u>
Revenue		
Independent First Nations	\$ 171,485	\$ 171,485
Expense		
General office and supplies	14,061	466
Materials, supplies and outside purchases	8,421	30,718
Rent and utilities	4,600	1,600
Training and professional development	25,827	31,909
Travel	9,200	1,195
Wages and benefits	100,317	43,098
	<u>165,875</u>	<u>108,986</u>
Annual surplus	\$ 5,610	\$ 62,499