

**Walpole Island First Nation
Consolidated Financial Statements
For the Year Ended March 31, 2021**

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Independent Auditor's Report

To the 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, 2021, the consolidated statements 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, 2021, and its results of operations, changes in its net financial assets 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.



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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



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

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

London, Ontario
October 19, 2023

Walpole Island First Nation Consolidated Statement of Financial Position

March 31 2021 2020

Financial Assets

Cash	\$43,131,110	\$ 34,623,219
Temporary investments	-	4,070,797
Trust funds in Ottawa (Note 2)	965,619	943,697
Accounts receivable (Note 3)	6,266,132	4,747,799
Loans to Band members (Note 4)	2,987,351	3,290,745
Investment in related parties (Note 5)	9,069,841	8,706,358
Investment in energy projects (Note 6)	9,653,621	9,451,151
Investment in government partnership (Note 7)	19,211,763	19,211,763
	<u>91,285,437</u>	<u>85,045,529</u>

Liabilities

Accounts payable and accrued charges	4,290,713	3,123,199
Payable to funding sources	2,130,944	2,265,923
Deferred revenue (Note 8)	9,479,637	3,063,610
Rental deposits	11,263	10,000
Housing commitments	729,111	643,341
Long-term debt (Note 9)	1,045,340	1,075,623
Long-term debt for government partnership (Note 10)	14,985,653	16,552,465
	<u>32,672,661</u>	<u>26,734,161</u>

Net Financial Assets	58,612,776	58,311,368
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Non-Financial Assets

Tangible capital assets (Note 11)	19,164,600	18,291,433
Prepaid assets	223,229	156,007
	<u>19,387,829</u>	<u>18,447,440</u>

Accumulated Surplus (Note 12)	\$78,000,605	\$ 76,758,808
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Contingent Liabilities (Note 13)

Approved by the Band:

 Chief of the Band

 Interim
Director of Operations

The accompanying notes are an integral part of these consolidated financial statements.

Walpole Island First Nation Consolidated Statement of Operations

For the year ended March 31	2021 Budget (Note 20)	2021	2020
Revenue			
Indigenous Services Canada			
Grant	\$ 659,187	\$ 195,940	\$ 442,664
Fixed contribution	466,164	14,592,962	12,730,695
Flexible contribution	-	1,069,144	-
Set contribution	6,676	179,562	1,022,217
Health Canada	-	4,040,050	4,056,925
Human Resources and Skills Development Canada	-	933,736	748,029
Other federal funding	68,000	373,062	420,145
Province of Ontario	263,860	10,949,997	10,869,471
Independent First Nations	-	98,896	187,263
Ontario First Nations Limited Partnership	174,402	2,120,445	2,198,996
Lease, rent and hosting revenue	2,300	896,588	1,095,302
Interest and dividends	-	2,457,115	4,082,688
User fees	459,803	278,670	582,068
Other	146,067	4,146,835	5,947,737
	2,246,459	42,333,002	44,384,200
Expenses			
Governance and administration - Schedule 1	3,456,643	4,663,574	3,344,376
Operations and maintenance - Schedule 2	1,722,846	8,347,627	7,667,707
Education - Schedule 3	-	10,995,909	10,718,582
Health and social - Schedule 4	-	13,886,734	14,779,104
Economic development - Schedule 5	987,123	3,216,794	2,715,840
Housing and Band rentals - Schedule 6	-	360,671	671,228
Independent First Nations - Schedule 7	-	84,839	165,875
	6,166,612	41,556,148	40,062,712
Annual surplus (deficit) from operations before other items	(3,920,153)	776,854	4,321,488
Net earnings from investment in energy projects	-	202,470	2,631,396
Net earnings from government enterprises	-	262,473	10,157
Annual surplus (deficit)	(3,920,153)	1,241,797	6,963,041
Accumulated surplus, beginning of year (Note 12)	-	76,758,808	69,795,767
Accumulated surplus, end of year (Note 12)	\$ -	\$78,000,605	\$ 76,758,808

The accompanying notes are an integral part of these consolidated financial statements.

Walpole Island First Nation Consolidated Statement of Change in Net Financial Assets

For the year ended March 31	2021 Budget	2021	2020
Annual surplus	(3,920,153)	1,241,797	6,963,041
Acquisition of tangible capital assets	-	(2,862,713)	(1,159,184)
Amortization of tangible capital assets	-	1,989,546	1,928,736
	(3,920,153)	368,630	7,732,593
Acquisition of prepaid assets	-	(223,229)	(156,007)
Utilization of prepaid assets	-	156,007	91,358
	-	(67,222)	(64,649)
Net change in net financial assets	(3,920,153)	301,408	7,667,944
Net Financial Assets, Beginning of Year	-	58,311,368	50,643,424
Net Financial Assets, End of Year	\$ (3,920,153)	\$58,612,776	\$ 58,311,368

The accompanying notes are an integral part of these consolidated financial statements.

Walpole Island First Nation Consolidated Statement of Cash Flows

For the year ended March 31	2021	2020
Cash flows from operating activities		
Annual surplus	\$ 1,241,797	\$ 6,963,041
Items not affecting cash:		
Decrease (increase) in trust funds in Ottawa	(21,922)	6,870,151
Net earnings from investment in energy projects	(202,470)	(2,631,396)
Amortization of tangible capital assets	1,989,546	1,928,736
	<u>3,006,951</u>	<u>13,130,532</u>
Changes in non-cash working capital:		
Accounts receivable	(1,518,333)	58,058
Accounts payable	1,167,514	(1,376,053)
Payable to funding sources	(134,979)	163,749
Deferred revenue	6,416,027	1,465,363
Rental deposits	1,263	2,250
Housing commitments	85,770	236,829
Prepaid expenses	(67,222)	(64,649)
	<u>8,956,991</u>	<u>13,616,079</u>
Cash flows from investing activities		
Proceeds from sale of temporary investments	4,070,797	8,487,337
Increase in investment in related parties	(363,483)	(1,700)
Net decrease in loans to Band members	303,394	158,479
	<u>4,010,708</u>	<u>8,644,116</u>
Cash flows to financing activities		
Proceeds from (repayment of) long-term debt	(30,283)	895,292
Repayment of long-term debt partnerships	(1,566,812)	(2,099,130)
	<u>(1,597,095)</u>	<u>(1,203,838)</u>
Cash flows to capital activities		
Purchase of tangible capital assets	(2,862,713)	(1,159,184)
Net change in Cash	8,507,891	19,897,173
Cash, beginning of the year	34,623,219	14,726,046
Cash, end of the year	\$43,131,110	\$ 34,623,219

The accompanying notes are an integral part of these consolidated financial statements.

Walpole Island First Nation Notes to Consolidated Financial Statements

March 31, 2021

1. Significant Accounting Policies

Purpose of the First Nation	The Walpole Island First Nation is located in Walpole Island, Ontario. The elected government consists of a Chief and twelve members of Council. The First Nation manages and administers all political, social and economic programs of this First Nation.
Management's responsibility	These financial statements of the First Nation 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	<p>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.</p> <p>Organizations accounted for on a modified equity basis include:</p> <p style="padding-left: 40px;">Bkejwanong Gas Station & Convenience Store Three Fires Development Corporation Tahgahoning Enterprises Inc. Walpole Algonac Ferry Ltd.</p> <p>The 100% investment in WIFN Development LP is a government partnership and has been consolidated.</p>
Temporary investments	Temporary investments consisting of guaranteed investment certificates are recorded at cost.

Walpole Island First Nation Notes to Consolidated Financial Statements

March 31, 2021

1. Significant Accounting Policies (continued)

Loans to Band members

Funding received for the purpose of building and renovating houses is recorded as revenue of a specific program. The commitment of the funds to a particular First Nation member for the purchase of approved housing is recorded as an expenditure of the program and as a commitment to that First Nation member. 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.

Walpole Island First Nation

Notes to Consolidated Financial Statements

March 31, 2021

1. Significant Accounting Policies (continued)

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:

	Method	Years
Building	straight-line	10-40
Infrastructure	straight-line	5-25
Vehicles	straight-line	5
Equipment	straight-line	10-20
Computer hardware	straight-line	3

Tangible capital assets under construction, development or that have been removed from service are not amortized until they are available to be put into service.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the organization's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the statement of operations.

Walpole Island First Nation Notes to Consolidated Financial Statements

March 31, 2021

1. Significant Accounting Policies (continued)

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.

Contaminated Sites

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, 2021, the First Nation has not identified any instances that meet the criteria for a liability for contaminated sites.

Walpole Island First Nation Notes to Consolidated Financial Statements

March 31, 2021

1. Significant Accounting Policies (continued)

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 Consolidated Financial Statements

March 31, 2021

2. Trust Funds in Ottawa

	2021	2020
Revenue trust fund	\$ 127,921	\$ 105,999
Capital trust fund	837,698	837,698
	<u>\$ 965,619</u>	<u>\$ 943,697</u>

3. Accounts Receivable

	2021	2020
Federal government programs	\$ 2,080,491	\$ 2,130,867
Provincial government programs	59,710	53,553
Other program receivables	3,993,298	2,332,466
Other receivables - net of allowance of \$1,716,376	105,735	215,402
HST recoverable	26,898	15,511
	<u>\$ 6,266,132</u>	<u>\$ 4,747,799</u>

4. Loans to Band Members

	2021	2020
Housing loans	\$ 7,331,544	\$ 7,245,032
Less: allowance for doubtful loans	4,344,193	3,954,287
	<u>\$ 2,987,351</u>	<u>\$ 3,290,745</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 Consolidated Financial Statements

March 31, 2021

5. Investment in Related Parties

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

	2021	2020
Advances to		
Tahgahoning Enterprises Inc.	\$ 458,162	\$ 457,252
Walpole Algonac Ferry Ltd.	507,624	407,624
Three Fires Development Corporation	19,639	19,639
	<u>985,425</u>	<u>884,515</u>
Equity		
Three Fires Development Corporation	1,311,107	1,323,683
Tahgahoning Enterprises Inc.	6,650,603	6,158,020
Walpole Algonac Ferry Ltd.	122,706	340,140
	<u>8,084,416</u>	<u>7,821,843</u>
	<u>\$ 9,069,841</u>	<u>\$ 8,706,358</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 1.

Tahgahoning Enterprises Inc. leases approximately 3,749 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 (2020 - \$525,000).

The Band has guaranteed payment to Tecumseh Community Development Corporation for \$500,000 borrowed for the construction of the Bkejwanong Gas Station & Convenience Store. The amounts were dispersed after year-end. Subsequent to year-end \$450,000 has been paid back.

Subsequent to year-end the gas station for Bkejwanong Gas Station & Convenience Store has closed in September 2023. As of March 31, 2021 Walpole Island First Nation had \$477,744 owing from Bkejwanong Gas Station & Convenience Store for fuel and tobacco. This balance was not subsequently collected and is not expected to be collected so has been written off in the current period.

Subsequent to year-end 1000440570 Ontario Ltd. has been incorporated on February 8, 2023 to pursue an economic development opportunity.

Walpole Island First Nation Notes to Consolidated Financial Statements

March 31, 2021

5. Investment in Related Parties (continued)

Financial statements for each of the Band controlled corporations have been prepared for the year ended March 31, 2021. The key numbers from those financial statements relating to Walpole Island First Nation's ownership is as follows:

	2021	2020
Three Fires Development Corporation		
Total assets	\$ 1,429,173	\$ 1,441,312
Total liabilities	118,066	117,629
Shareholder's equity	1,311,107	1,323,683
Revenue	384,415	354,029
Expenses	396,991	355,818
Tahgahoning Enterprises Inc.		
Total assets	7,908,046	7,679,447
Total liabilities	1,257,443	1,521,427
Shareholder's equity	6,650,603	6,158,020
Revenue	4,141,738	3,943,575
Expenses	3,649,154	3,931,840
Walpole Algonac Ferry Ltd.		
Total assets	707,549	835,838
Total liabilities	584,843	88,074
Shareholders equity	122,706	747,764
Revenue	196,082	913,135
Expenses	\$ 413,695	\$ 939,941

6. Net Investment in Energy Projects

	2021	2020
Giiwedín Noodin FN Energy Corporation		
Total assets	\$13,692,678	\$ 14,887,576
Total liabilities	4,039,057	5,436,425
	\$ 9,653,621	\$ 9,451,151

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.

Walpole Island First Nation Notes to Consolidated Financial Statements

March 31, 2021

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.

8. Deferred Revenue

	2021	2020
Human Resources and Skills Development Canada	\$ 847,593	\$ 482,568
Other funding sources	7,573,158	1,593,892
Leases and hosting agreements	1,058,886	987,150
	<u>\$ 9,479,637</u>	<u>\$ 3,063,610</u>

9. Long-term Debt

	2021	2020
0% promissory note due on settlement of the claim	\$ 97,240	\$ 97,240
0% promissory note due on settlement of the claim	83,091	83,091
0% promissory note due on settlement of the claim	103,910	103,910
0.98% housing project loan repayable in blended monthly installments of \$4,816 due April 2023 - Phase 1	761,099	791,382
	<u>\$ 1,045,340</u>	<u>\$ 1,075,623</u>

Principal amounts due in the next two years are as follows:

2023	\$ 342,033
2024	<u>703,307</u>
	<u>\$ 1,045,340</u>

Walpole Island First Nation Notes to Consolidated Financial Statements

March 31, 2021

10. Long-Term Debt Government Partnership

	<u>2021</u>	<u>2020</u>
7% loan payable relating to WIFN NK Borrower LP, due August 30, 2033	\$ 6,347,282	\$ 7,012,305
7% loan payable relating to WIFN BR Borrower LP, due February 27, 2033	<u>8,638,371</u>	<u>9,540,160</u>
	<u>\$14,985,653</u>	<u>\$ 16,552,465</u>

Principal amounts due in the next five years are as follows:

2022	\$ 1,145,857
2023	878,564
2024	972,723
2025	1,050,938
2026	1,134,940
Thereafter	<u>9,802,631</u>
	<u>\$ 14,985,653</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

March 31, 2021

11. Tangible Capital Assets

	Land	Building and Structures	Infrastructure	Vehicles	Equipment	Computers Hardware	Assets under Construction	2021 Total
Cost, beginning of year	\$ 44,600	\$ 19,217,440	\$ 17,022,290	\$ 3,229,310	\$ 4,008,649	\$ 251,725	\$ 277,178	\$ 44,051,192
Additions	-	930,713	80,363	64,880	111,206	335,268	1,340,283	2,862,713
Cost, end of the year	44,600	20,148,153	17,102,653	3,294,190	4,119,855	586,993	1,617,461	46,913,905
Accumulated amortization, beginning of the year	-	9,672,263	10,400,275	2,793,687	2,698,743	194,791	-	25,759,759
Amortization	-	514,306	971,113	159,743	195,444	148,940	-	1,989,546
Accumulated amortization, end of year	-	10,186,569	11,371,388	2,953,430	2,894,187	343,731	-	27,749,305
Net carrying amount, end of year	\$ 44,600	\$ 9,961,584	\$ 5,731,265	\$ 340,760	\$ 1,225,668	\$ 243,262	\$ 1,617,461	\$ 19,164,600
2020 Total								
Cost, beginning of year	\$ 44,600	\$ 18,222,659	\$ 17,022,290	\$ 2,947,934	\$ 3,987,338	\$ 615,271	\$ 452,413	\$ 43,292,505
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	19,217,440	17,022,290	3,229,310	4,008,649	251,725	277,178	44,051,192
Accumulated amortization, beginning of the year	-	9,175,893	9,404,230	2,616,607	2,523,410	511,381	-	24,231,521
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	10,400,275	2,793,687	2,698,743	194,791	-	25,759,759
Net carrying amount, end of year	\$ 44,600	\$ 9,545,177	\$ 6,622,015	\$ 435,623	\$ 1,309,906	\$ 56,934	\$ 277,178.00	\$ 18,291,433

Walpole Island First Nation Notes to Consolidated Financial Statements

March 31, 2021

12. Accumulated Surplus

	2021	2020
Operating reserves		
Investment in tangible capital assets	\$18,403,502	\$ 17,500,051
Unrestricted accumulated surplus	24,287,451	27,617,682
Enterprise reserve	9,069,841	8,706,358
Net investment in energy projects	9,653,621	9,451,151
Government partnership	5,573,246	4,038,004
Internal restricted reserves		
Economic development	20,000	20,000
Community initiatives	1,208,478	-
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
External restricted reserves		
Canada Mortgage and Housing Corporation	4,825	-
Trust Funds in Ottawa	965,619	943,697
Ontario First Nations Limited Partnership	5,200,652	4,868,495
	\$78,000,605	\$ 76,758,808

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 Consolidated Financial Statements

March 31, 2021

14. Classification of Expenditure by Object (Type of Expense)

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

	2021	2020
Amortization	\$ 1,989,546	\$ 1,928,736
Bad debts	1,229,827	329,963
Consolidated revenue fund		
Administration	89,107	72,220
Childcare	240,249	240,252
Core services	101,944	114,593
Labour market	191,126	298,395
Partnership development	48,103	45,827
Consulting and management Fees	144,114	147,643
Education services and allowances	2,648,319	2,682,709
Employment insurance fund		
Administration	53,427	28,269
Core services	58,419	53,777
Labour market fund	99,584	133,587
Partnership development	25,610	22,114
Equipment	314,155	150,872
General office and supplies	686,222	588,015
Grants, donations and incentives	25,103	39,657
Honoraria	254,173	284,754
Insurance	262,579	226,569
Interest and bank charges	964,618	1,299,266
Materials, supplies and outside purchases	4,509,324	4,451,267
Miscellaneous	979,689	500,124
Professional fees	378,926	256,926
Program resources	583,932	550,778
Rent and utilities	801,838	755,038
Repairs and maintenance	589,104	956,942
Salaries and benefits	17,626,720	16,040,151
Social assistance benefits	4,876,217	4,961,156
Telephone	279,753	211,558
Training and professional development	752,830	1,389,574
Transportation	506,922	685,202
Travel	118,539	367,503
Vehicle	126,129	249,275
Total expenses by object	<u>\$41,556,148</u>	<u>\$ 40,062,712</u>

Walpole Island First Nation Notes to Consolidated Financial Statements

March 31, 2021

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.

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

Walpole Island First Nation Notes to Consolidated Financial Statements

March 31, 2021

15. Segmented Information (continued)

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.

16. COVID-19

The impact of COVID-19 on Canada and on the global economy continues to be significant. 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 First Nation 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 organization is not known.

Walpole Island First Nation Notes to Consolidated Financial Statements

March 31, 2021

17. Comparative Figures

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

18. Settlement Trust

Walpole has an economic interest in the Bkejwanong Trust (the "Trust"). The Trust was settled under a Deed of Trust by Walpole Island First Nation as Settlor for a land settlement of \$28,000,000. The Trust was created on September 29, 2015 with \$7,000,000 transferred to the trust on May 6, 2016.

The Trust was established with the purpose of holding any settlement amounts transferred from the First Nation as a long term asset for the use and benefit of the First Nation.

The financial position and results of operations for the Trust are as follows:

December 31,	2020	2019
Financial Position		
Total assets	\$ 9,506,145	\$ 8,936,850
Total liabilities	1,526,077	1,491,887
Beneficiaries capital	<u>\$ 7,980,068</u>	<u>\$ 7,444,963</u>
Operations		
Total revenue	\$ 623,840	\$ 693,915
Total expenses	88,735	100,849
Revenue over expenses	<u>\$ 535,105</u>	<u>\$ 593,066</u>

Included in total liabilities above is \$1,486,768 (2019 - \$1,463,032) owing to Walpole Island First Nation.

Walpole Island First Nation Notes to Consolidated Financial Statements

March 31, 2021

19. Minors Trust

Walpole has an economic interest in the Walpole Island Lower Indian Reserve Minors Trust (the "Trust"). The Trust was settled under a Deed of Trust by Walpole Island First Nation as Settlor for a settlement of \$600,000. The Trust was created on November 29, 2017 with \$600,000 transferred to the trust on the creation date.

The Trust was established with the purpose of holding any settlement amounts transferred from the First Nation for both the long and short-term benefit of the Eligible Minors and provide for the management, investment and disbursement of Trust Property to that end.

The financial position and results of operations for the Trust are as follows:

December 31,	2020	2019
Financial Position		
Total assets	\$ 539,830	\$ 528,714
Total liabilities	4,343	1,499
	<u>\$ 535,487</u>	<u>\$ 527,215</u>
Operations		
Total revenue	\$ 35,923	\$ 14,629
Total expenses	12,135	33,788
	<u>\$ 23,788</u>	<u>\$ (19,159)</u>

Included in total assets above is \$21,991 (2019 - \$21,991) due from Bkejwanong Trust (Note 18).

20. Budget Information

The budget adopted by the First Nation was not prepared on a basis consistent with that used to report actual results (public sector accounting standards). The budget was prepared on a modified accrual basis while the public sector accounting standards now require a full accrual basis. The budget figures did not include amortization expenses.

Walpole Island First Nation Consolidated Summary of Schedules

For the year ended March 31, 2021	Revenue	Expenses
Schedule 1 - Governance and Administration	\$ 2,324,316	\$ 4,663,574
Schedule 2 - Operations and Maintenance	9,648,284	8,347,627
Schedule 3 - Education	11,827,810	10,995,909
Schedule 4 - Health and Social	15,172,689	13,886,734
Schedule 5 - Economic Development	2,291,116	3,216,794
Schedule 6 - Housing and Band Rentals	970,555	360,671
Schedule 7 - Independent First Nations	98,232	84,839
Total	\$ 42,333,002	\$ 41,556,148

For the year ended March 31, 2020	Revenue	Expenses
Schedule 1 - Governance and Administration	\$ 1,010,479	\$ 3,344,376
Schedule 2 - Operations and Maintenance	13,658,281	7,667,707
Schedule 3 - Education	11,275,397	10,718,582
Schedule 4 - Health and Social	15,147,186	14,779,104
Schedule 5 - Economic Development	2,091,046	2,715,840
Schedule 6 - Housing and Band Rentals	1,030,326	671,228
Schedule 7 - Independent First Nations	171,485	165,875
Total	\$ 44,384,200	\$ 40,062,712

Walpole Island First Nation
Consolidated Schedule 1 - Governance and administration

For the year ended March 31	2021 Budget	2021	2020
Revenue			
Indigenous Services Canada			
Grant	\$ 659,187	\$ 195,940	\$ 442,664
Fixed contribution	38,000	1,326,917	416,242
Flexible contribution	-	656,870	-
Lease, rent and hosting	-	74,500	123,112
Other federal funding	50,000	-	-
Other	139,067	70,089	28,461
	886,254	2,324,316	1,010,479
Expenses			
Amortization	-	256,525	194,312
Consulting and management fees	27,500	3,407	-
Bad debt	-	348,170	205
Equipment	12,300	36,725	12,907
General office and supplies	91,175	18,206	46,819
Grants, donations, and incentives	20,000	-	-
Honoraria	325,200	251,173	272,304
Insurance	70,200	13,219	11,167
Interest and bank charges	25,000	103,099	86,754
Material, supplies and outside purchases	112,740	1,086,140	626,640
Professional services	283,340	327,654	242,138
Rent and utilities	1,260	3,189	5,500
Repairs and maintenance	-	9,988	-
Telephone	45,200	104,266	64,800
Training and professional development	146,268	6,098	80,804
Travel	131,700	647	162,719
Vehicle	6,200	2,934	2,087
Wages and benefits	2,158,560	2,092,134	1,535,220
	3,456,643	4,663,574	3,344,376
Annual deficit	\$ (2,570,389)	\$ (2,339,258)	\$ (2,333,897)

Walpole Island First Nation Consolidated Schedule 2 - Operations and maintenance

For the year ended March 31	2021 Budget	2021	2020
Revenue			
Indigenous Services Canada			
Fixed Contribution	\$ 424,164	\$ 1,298,435	\$ 1,381,725
Flexible contribution		31,874	-
Province of Ontario	263,860	240,263	277,377
Health Canada	-	715	-
Ontario First Nations Limited Partnership	-	2,120,445	2,198,996
Lease, rent and hosting	2,300	706,255	870,589
Interest and dividends	-	2,454,663	4,064,862
User fees	204,003	189,625	266,760
Other	-	2,538,351	4,597,972
Other federal funding	-	67,658	-
	<u>894,327</u>	<u>9,648,284</u>	<u>13,658,281</u>
Expenses			
Amortization	-	1,194,289	1,428,460
Bad debts	-	875,902	315,535
Consulting and management fees	-	122,639	115,674
Equipment	6,300	7,963	5,058
General office and supplies	9,900	151,382	28,305
Honoraria	218,759	375	4,125
Insurance	12,800	135,701	131,952
Interest and bank charges	-	852,668	1,211,629
Material, supplies and outside purchases	182,598	897,506	864,470
Miscellaneous	-	1,000,248	500,123
Professional fees	-	31,570	-
Program resources	-	552,886	550,778
Rent and utilities	142,845	328,238	309,962
Repair and maintenance	95,787	421,533	414,590
Social assistance benefits (recovery)	-	-	192,022
Telephone	20,002	31,127	30,158
Training and professional development	5,800	13,902	39,884
Travel	4,000	1,987	2,672
Vehicle	4,891	93,150	123,048
Wages and benefits	1,019,164	1,634,561	1,399,262
	<u>1,722,846</u>	<u>8,347,627</u>	<u>7,667,707</u>
Annual surplus (deficit)	<u>\$ (828,519)</u>	<u>\$ 1,300,657</u>	<u>\$ 5,990,574</u>

Walpole Island First Nation Consolidated Schedule 3 - Education

For the year ended March 31	2021 Budget	2021	2020
Revenue			
Indigenous Services Canada			
Fixed contribution	\$ -	\$ 8,917,940	\$ 8,339,335
Set contribution	-	262,455	877,698
Province of Ontario	-	1,245,083	1,083,070
Health Canada	-	124,491	-
Lease and rent revenue	-	10,080	9,240
User fees	-	9,187	54,486
Other	-	1,258,574	911,568
	-	11,827,810	11,275,397
Expenses			
Amortization	-	145,900	81,942
Consulting and management fees	-	20,184	3,802
Education services and allowances	-	2,648,319	2,682,709
Equipment	-	1,978	113,717
General office and supplies	-	72,329	86,282
Insurance	-	31,541	25,546
Materials, supplies and outside purchases	-	1,106,878	838,000
Rent and utilities	-	118,925	146,176
Repairs and maintenance	-	49,543	100,736
Telephone	-	20,629	15,466
Training and professional development	-	246,448	395,827
Transportation	-	379,831	477,257
Travel	-	42,563	28,685
Vehicle	-	839	10,613
Wages and benefits	-	6,110,002	5,711,824
	-	10,995,909	10,718,582
Annual surplus	\$ -	\$ 831,901	\$ 556,815

Walpole Island First Nation Consolidated Schedule 4 - Health and Social

For the year ended March 31	2021 Budget	2021	2020
Revenue			
Indigenous Services Canada	-		
Fixed contribution	\$ -	\$ 1,526,378	\$ 1,235,705
Flexible contribution	-	380,400	-
Set contribution	-	(82,894)	144,519
Health Canada	-	3,914,843	4,041,925
Other federal funding	31,662	31,662	-
Province of Ontario	-	9,299,072	9,324,025
Independent First Nations	-	663	15,778
Other	-	102,565	385,234
	31,662	15,172,689	15,147,186
Expenses			
Amortization	-	153,039	110,740
Bad debts	-	511	13,394
Equipment	-	-	12,353
General office and supplies	-	294,568	387,205
Grants, donations and incentives	-	25,103	39,657
Insurance	-	21,376	19,396
Materials, supplies and outside purchases	-	1,223,051	1,685,138
Other	-	10,488	28,166
Professional fees	-	15,332	14,789
Rent and utilities	-	192,005	116,107
Repairs and maintenance	-	19,042	26,892
Social assistance benefits	-	4,876,217	4,769,134
Telephone	-	94,370	72,976
Training and professional development	-	443,506	816,872
Transportation	-	127,091	207,945
Travel	-	53,299	136,709
Vehicle	-	16,088	92,523
Wages and benefits	-	6,321,648	6,229,108
	-	13,886,734	14,779,104
Annual surplus	\$ 31,662	\$ 1,285,955	\$ 368,082

Walpole Island First Nation Consolidated Schedule 5 - Economic Development

For the year ended March 31	2021 Budget	2021	2020
Revenue			
Indigenous Services Canada			
Fixed contribution	\$ 4,000	\$ 671,672	\$ 443,804
Health Canada	-	-	15,000
Human Resources and Skills Development Canada	-	933,736	748,029
Other federal funding	-	273,742	395,145
Province of Ontario	-	165,579	185,000
Interest and dividends	-	2,451	17,827
User fees	255,800	66,674	239,878
Other	7,000	177,262	46,363
	<u>266,800</u>	<u>2,291,116</u>	<u>2,091,046</u>
Expenses			
Amortization	-	146,348	62,818
Bad debts (recovery)	-	-	(1)
Consolidated revenue fund			
Administration	-	83,179	72,220
Childcare	-	240,249	240,252
Core services	-	101,944	114,593
Labour market programs	-	191,126	298,395
Partnership development	-	48,103	45,827
Consulting and management fees	-	-	-
Construction and renovations	-	-	-
Employment insurance fund			
Administration	-	59,354	28,269
Core services	-	58,419	53,777
Labour market programs	-	99,584	133,587
Partnership development	-	25,610	22,114
Equipment	1,700	3,183	-
General office and supplies	21,180	164,957	23,108
Honoraria	-	1,350	450
Insurance	25,350	47,857	31,412
Material, supplies and outside purchases	-	415,146	374,790
Rent and utilities	110,500	132,390	135,155
Repairs and maintenance	70,500	57,705	79,431
Professional fees	-	4,370	-
Telephone	13,200	25,755	23,581
Training and professional development	27,300	8,483	22,655
Travel	7,200	17,894	24,916
Vehicle	13,400	13,118	21,005
Wages and benefits	696,793	1,270,670	907,486
	<u>987,123</u>	<u>3,216,794</u>	<u>2,715,840</u>
Annual deficit	<u>\$ (720,323)</u>	<u>\$ (925,678)</u>	<u>\$ (624,794)</u>

Walpole Island First Nation
Consolidated Schedule 6 - Housing and Band rentals

For the year ended March 31	2021 Budget	2021	2020
Revenue			
Indigenous Services Canada			
Fixed contribution	\$ -	\$ 851,619	\$ 917,021
Lease and rent revenue	-	105,752	92,360
User fees	-	13,184	20,945
	-	970,555	1,030,326
Expenses			
Amortization	-	93,445	50,465
Bad debts	-	5,244	829
Equipment	-	-	3,387
General office and supplies	-	2,423	2,236
Honoraria	-	1,275	7,875
Insurance	-	12,885	7,096
Interest and bank charges	-	8,851	885
Material, supplies and outside purchases	-	4,526	53,808
Rent and utilities	-	28,539	37,538
Repairs and maintenance	-	31,293	335,293
Telephone	-	3,606	4,577
Training and professional development	-	11,773	7,705
Travel	-	1,579	2,603
Wages and benefits	-	155,232	156,931
	-	360,671	671,228
Annual surplus	\$ -	\$ 609,884	\$ 359,098

Walpole Island First Nation
Consolidated Schedule 7 - Independent First Nations

For the year ended March 31	2021	2020
Revenue		
Independent First Nations	\$ 98,232	\$ 171,485
Expenses		
Equipment	-	3,450
General office and supplies	2,310	14,061
Materials, supplies and outside purchases	16,963	8,421
Rent and utilities	2,019	4,600
Training and professional development	20,505	25,827
Travel	568	9,200
Wages and benefits	42,474	100,316
	<u>84,839</u>	<u>165,875</u>
Annual surplus	<u>\$ 13,393</u>	<u>\$ 5,610</u>