

Consolidated Financial Statements of

**MAGNETAWAN FIRST NATION**

And Independent Auditors' Report thereon

Year ended March 31, 2019

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Magnetawan First Nation are the responsibility of management and have been approved by the Chief and Council of the First Nation.

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards as described in note 1. Consolidated financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the consolidated financial statements are presented fairly, in all material respects.

The First Nation maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the First Nation's assets are appropriately accounted for and adequately safeguarded.

The Chief and Council are responsible for ensuring that management fulfills its responsibilities for financial reporting and are ultimately responsible for reviewing and approving the consolidated financial statements.

The Chief and Council review the First Nation's consolidated financial statements and recommend their approval. The Chief and Council meet periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual report, the consolidated financial statements and the external auditors' report. The Chief and Council takes this information into consideration when approving the consolidated financial statements for issuance to the Members. The Chief and Council also consider the engagement of the external auditors.

The consolidated financial statements have been audited by KPMG LLP in accordance with Canadian generally accepted auditing standards on behalf of the First Nation.



John Deeks



Sharon



KPMG LLP  
Claridge Executive Centre  
144 Pine Street  
Sudbury Ontario P3C 1X3  
Canada  
Telephone (705) 675-8500  
Fax (705) 675-7586

## INDEPENDENT AUDITORS' REPORT

To the Members of Magnetawan First Nation

### ***Opinion***

We have audited the consolidated financial statements of Magnetawan First Nation (herein after referred to as the "First Nation"), which comprise:

- the consolidated statement of financial position as at March 31, 2019
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and the notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "consolidated financial statements")

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the First Nation as at March 31, 2019, and its consolidated results of operations and its consolidated 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 responsibility under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***" section of our auditors' report.

We are independent of the First Nation 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 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.



### ***Responsibility of Management 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 First Nation'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 First Nation or to cease operations or has no realistic alternative but to do so.

### ***Auditors' 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 auditors' 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 the 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 risk 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, internal 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 purposes of expressing an opinion on the effectiveness of the First Nation'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 the events or conditions that may cast significant doubt on the First Nation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the First Nation's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group Entity 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.

*KPMG LLP*

---

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada

December 9, 2019

# MAGNETAWAN FIRST NATION

## Index to Consolidated Financial Statements

Year ended March 31, 2019

---

	Page
<b>Consolidated Financial Statements:</b>	
Exhibit A Consolidated Statement of Financial Position	1
Exhibit B Consolidated Statement of Operations and Accumulated Surplus	2
Exhibit C Consolidated Statement of Changes in Net Financial Assets	3
Exhibit D Consolidated Statement of Cash Flows	4
Notes to the Consolidated Financial Statements	5 - 17

# MAGNETAWAN FIRST NATION

## Exhibit A - Consolidated Statement of Financial Position

March 31, 2019, with comparative information for 2018

	2019	2018
<b>Financial Assets</b>		
Cash and short-term investments (note 2)	\$ 3,753,546	\$ 2,988,435
Restricted cash (note 3)	179,424	177,021
Funds held in Ottawa Trust Fund	8,676	8,676
Accounts receivable (note 4)	1,001,086	1,481,851
Investment in Shwe Miikaan Corp (note 5)	1	1
Investment in Shwe Miikaan Limited Partnership (note 6)	445,912	547,900
	5,388,645	5,203,884
<b>Financial Liabilities</b>		
Accounts payable and accrued liabilities	2,733,972	2,528,872
Deferred revenue (note 7)	976,369	607,073
Long-term debt (note 8)	1,506,239	1,848,640
	5,216,580	4,984,585
Net financial assets	172,065	219,299
<b>Non-Financial Assets</b>		
Tangible capital assets (note 9)	9,343,843	7,942,904
Inventories - gas and store merchandise	312,520	183,121
Prepaid expenses and deposits	129,300	129,300
	9,785,663	8,255,325
Contingent liabilities (note 10)		
Commitments (note 11)		
Accumulated surplus (note 12)	\$ 9,957,728	\$ 8,474,624

See accompanying notes to consolidated financial statements.

Approved:



# MAGNETAWAN FIRST NATION

## Exhibit B - Consolidated Statement of Operations and Accumulated Surplus

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Revenue:		
Indigenous Services Canada (note 13)	\$ 1,410,752	\$ 3,014,321
Health Canada	395,629	306,113
Ontario First Nations Limited Partnership	639,664	502,602
Canada Mortgage and Housing Corporation	78,567	190,535
Ministry of Community and Social Services	211,495	202,952
Ministry of Indigenous Affairs	88,446	90,000
Ministry of Transportation	-	240,773
Ministry of Health and Long-Term Care	142,656	111,262
Rental	187,031	210,404
Interest	16,731	18,035
Sales	10,265,891	7,583,087
Other	2,462,677	2,255,391
Share of net earnings (loss) of investment in business enterprise	(54,988)	66,257
Contract revenue	10,595,987	2,031,530
	26,440,538	16,823,262
Expenses:		
Band Support	813,005	610,991
Economic Development	261,729	214,232
Education	995,149	877,866
Tim Hortons Operations	1,248,159	1,009,236
Library	14,680	22,097
Health Services	836,385	725,789
Social Assistance	246,938	237,660
Community Infrastructure	602,510	580,153
Community Property	81,396	323,851
Ontario First Nations Limited Partnership	251,583	260,178
CMHC Housing	208,020	176,064
Housing Authority	223,433	119,586
New Relationship Fund	88,446	90,000
Business Operations	9,043,618	6,686,913
Lands and Resources	677,991	1,835,387
Ministry of Transportation - Negotiations	-	213,727
Special Projects	9,364,392	1,343,912
	24,957,434	15,327,642
Excess of revenue over expenses	1,483,104	1,495,620
Accumulated surplus, beginning of year	8,474,624	6,979,004
Accumulated surplus, end of year	\$ 9,957,728	\$ 8,474,624

See accompanying notes to consolidated financial statements.



# MAGNETAWAN FIRST NATION

## Exhibit C - Consolidated Statement of Changes in Net Financial Assets

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Excess of revenue over expenses	\$ 1,483,104	\$ 1,495,620
Acquisition of tangible capital assets	(2,063,644)	(1,622,000)
Amortization of tangible capital assets	607,030	521,054
Loss on disposal of tangible capital assets	16,068	21,146
Proceeds on sale of tangible capital assets	39,607	-
	82,165	415,820
Acquisition of inventories	(129,399)	(103,978)
Change in net financial assets	(47,234)	311,842
Net financial assets (debt), beginning of year	219,299	(92,543)
Net financial assets, end of year	\$ 172,065	\$ 219,299

See accompanying notes to consolidated financial statements.

# MAGNETAWAN FIRST NATION

## Exhibit D - Consolidated Statement of Cash Flows

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Operating transactions:		
Excess of revenue over expenses	\$ 1,483,104	\$ 1,495,620
Adjustments for:		
Amortization of tangible capital assets	607,030	521,054
Share of net loss (earnings) of investment in business enterprise	54,988	(66,257)
Loss on disposal of tangible capital assets	16,068	21,146
	2,161,190	1,971,563
Change in non-cash working capital:		
Increase (decrease) in accounts receivable	480,765	(1,069,696)
Increase in inventories	(129,399)	(103,978)
Increase in accounts payable and accrued liabilities	205,101	1,767,069
Increase (decrease) in deferred revenue	369,296	(777,153)
	3,086,953	1,787,805
Capital transactions:		
Cash used to acquire tangible capital assets	(2,063,644)	(1,622,000)
Proceeds from disposal of tangible capital assets	39,607	-
	(2,024,037)	(1,622,000)
Financing transactions:		
Principal payments on long-term debt	(850,568)	(63,151)
Long-term debt issued	508,166	269,110
	(342,402)	205,959
Investing transactions:		
Distribution from investment in business enterprise	47,000	23,000
Net increase in cash	767,514	394,764
Cash, beginning of year	3,174,132	2,779,368
Cash, end of year	\$ 3,941,646	\$ 3,174,132
Represented by:		
Cash and short-term investments	\$ 3,753,546	\$ 2,988,435
Restricted cash	179,424	177,021
Funds held in Ottawa Trust Fund	8,676	8,676
	\$ 3,941,646	\$ 3,174,132

See accompanying notes to consolidated financial statements.

# MAGNETAWAN FIRST NATION

## Notes to Consolidated Financial Statements

Year ended March 31, 2019

---

Magnetawan First Nation (the "First Nation"), located in Britt, Ontario, administers programs and provides services on behalf of its members.

### 1. Significant accounting policies:

These consolidated financial statements of Magnetawan First Nation are the representation of management and have been prepared in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada. The following is a summary of the significant accounting policies followed in the preparation of these consolidated financial statements:

#### (a) Reporting entity:

The reporting entity is comprised of all committees and related entities under the control of Chief and Council. These entities include Magnetawan Development GP Inc. and Magnetawan Development Limited Partnership.

All interdepartmental and inter-organizational assets and liabilities and revenue and expenses have been eliminated.

#### (b) Basis of accounting:

The First Nation follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

#### (c) Non-financial assets:

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

##### (i) Tangible capital assets:

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

---

Buildings	40 years
Land improvements	15 to 20 years
Furniture, computers and fixtures	3 to 10 years
Vehicles and equipment	10 years
Roads infrastructure	25 years
Water systems	25 years
Housing	25 years

---

# MAGNETAWAN FIRST NATION

## Notes to Consolidated Financial Statements

Year ended March 31, 2019

---

### 1. Significant accounting policies (continued):

#### (c) Non-financial assets (continued):

##### (i) Tangible capital assets (continued):

Annual amortization is charged at 50% in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

##### (ii) Natural resources:

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

##### (iii) Works of art and cultural and historic assets:

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

#### (d) Revenue recognition:

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

#### (e) Consolidated revenue funds:

Funds held in trust are comprised of funds held in Ottawa Trust accounts and arise from monies derived from capital or revenue sources as outlined in Section 62 of the Indian Act. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada and are subject to audit by the Office of the Auditor General of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act.

#### (f) Use of estimates:

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the periods specified. Significant items subject to such estimates and assumptions include the carrying value of tangible capital assets and valuation allowances for accounts receivable. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they become known. Actual results could differ from these estimates.

#### (g) Prior year funding adjustments:

Adjustments made under funding arrangements relating to prior years are charged to operations in the year during which the adjustments are made.

# MAGNETAWAN FIRST NATION

## Notes to Consolidated Financial Statements

Year ended March 31, 2019

### 2. Cash and short-term investments:

Short-term investments, consisting of a guaranteed investment certificate in the amount of \$11,498 (2018 - \$11,200), are recorded at cost and earn interest at a rate of 2.3% per annum.

### 3. Restricted cash:

The First Nation has pledged \$174,000 as security for a loan guarantee arrangement with the Bank of Montreal as described in note 10(b).

### 4. Accounts receivable:

	2019	2018
Construction Energie Renouvelable	\$ 335,284	417,317
Fed Nor	183,652	26,652
Ministry of Transportation	118,000	118,000
Environment and Climate Change Canada	93,500	8,500
Infrastructure Canada	53,303	53,303
Ministry of Community and Social Services	28,717	38,152
Indigenous Services Canada	9,900	432,832
Canada Mortgage and Housing Corporation	5,059	136,645
Sturgeon Falls Brush and Contracting Ltd.	—	125,395
Other	173,671	125,055
Due from band members	344,439	344,049
Allowance for doubtful accounts	(344,439)	(344,049)
	<b>\$ 1,001,086</b>	<b>\$ 1,481,851</b>

### 5. Investment in Shwe Miikaan Corp ("SMC"):

The First Nation's investment in SMC represents a 33.333% ownership interest. The First Nation's share of the accumulated investment loss in SMC to date is \$46,190. The investment in SMC is accounted for using the equity method.

SMC has an ownership interest of 0.001% in Shwe Miikaan Limited Partnership ("SMLP") and 0.1% in Shwe Miikaan 7182 Limited Partnership ("SM 7182 LP").

	2019	2018
Investment in SMC	\$ 1	\$ 1
Accumulated share of net loss	(46,190)	(44,106)
Provision for impairment in value	46,190	44,106
	<b>\$ 1</b>	<b>\$ 1</b>

# MAGNETAWAN FIRST NATION

## Notes to Consolidated Financial Statements

Year ended March 31, 2019

### 6. Investment in Shwe Miikaan Limited Partnership:

The First Nation's investment in SMLP represents a 33.333% ownership interest. The First Nation's share of the accumulated investment earnings in SMLP to date is \$75,912. The investment in SMLP is accounted for using the equity method.

SMLP has an ownership interest of 50.9% in SM 7182 LP.

	2019	2018
Investment in SMLP	\$ 500,000	\$ 500,000
Accumulated share of net earnings	75,912	130,900
Accumulated distributions	(130,000)	(83,000)
	\$ 445,912	\$ 547,900

### 7. Deferred revenue:

	2019	2018
Indigenous Services Canada	\$ 552,162	\$ 394,894
Kinoomaadziwin Education Body	202,437	—
Ministry of Transportation	83,793	83,793
Union of Ontario Indians	70,167	—
Ontario Trillium Foundation	—	63,004
Other	67,810	65,382
	\$ 976,369	\$ 607,073

# MAGNETAWAN FIRST NATION

## Notes to Consolidated Financial Statements

Year ended March 31, 2019

### 8. Long-term debt:

The details of the long-term debt are as follows:

	2019	2018
Scotiabank term loan, monthly principal payments of \$4,445 plus interest of prime plus 1%, renewal date on March 2022	\$ —	\$ 791,110
Canada Mortgage and Housing Corporation: Monthly payments of \$1,747, including interest at 1.82%, renewal date September 2019	195,891	213,127
Monthly payments of \$1,221, including interest at 2.06%, renewal date on September 2022	112,130	124,345
Monthly payments of \$1,302 including interest at 1.83%, renewal date on December 2019	211,855	223,505
Monthly payments of \$1,208 including interest at 2.61%, renewal date on December 2023	223,186	232,225
Monthly payments of \$1,068 including interest at 1.35%, renewal date on May 1, 2022	255,011	264,328
Monthly payments of \$5,303 including interest at 1.91%, renewal date on July 1, 2019	508,166	—
	<b>\$ 1,506,239</b>	<b>\$ 1,848,640</b>

As the First Nation had the option to make partial or full payments on the term loan at any time over the life of the debt, it paid the balance of the term loan in full during the fiscal year.

Principal repayments are due as follows:

2020	\$ 115,145
2021	117,312
2022	119,521
2023	121,770
2024	124,064
Thereafter	908,427

# MAGNETAWAN FIRST NATION

## Notes to Consolidated Financial Statements

Year ended March 31, 2019

### 9. Tangible capital assets:

Cost	2018	Additions	Disposals	2019
Buildings	\$ 3,911,616	\$ 143,840	\$ (61,861)	\$ 3,993,595
Land improvements	158,190	249,367	-	407,557
Furniture, computers and fixtures	460,886	118,491	-	579,377
Vehicles and equipment	2,000,888	440,346	-	2,441,234
Roads infrastructure	312,449	30,000	-	342,449
Water systems	2,905,296	-	-	2,905,296
Housing	2,900,902	1,081,600	-	3,982,502
<b>Total</b>	<b>\$ 12,650,227</b>	<b>\$ 2,063,644</b>	<b>\$ (61,861)</b>	<b>\$ 14,652,010</b>

Accumulated Amortization	2018	Disposals	Amortization expense	2019
Buildings	\$ 804,954	\$ (6,186)	\$ 101,735	\$ 900,503
Land improvements	30,726	-	14,192	44,918
Furniture, computers and fixtures	401,464	-	16,498	417,962
Vehicles and equipment	787,972	-	211,968	999,940
Roads infrastructure	211,334	-	8,757	220,091
Water systems	1,838,677	-	116,212	1,954,889
Housing	632,196	-	137,668	769,864
<b>Total</b>	<b>\$ 4,707,323</b>	<b>\$ (6,186)</b>	<b>\$ 607,030</b>	<b>\$ 5,308,167</b>

	Net book value 2018	Net book value 2019
Buildings	\$ 3,106,662	\$ 3,093,092
Land improvements	127,464	362,639
Furniture, computers and fixtures	59,422	161,415
Vehicles and equipment	1,212,916	1,441,294
Roads infrastructure	101,115	122,358
Water systems	1,066,619	950,407
Housing	2,268,706	3,212,638
<b>Total</b>	<b>\$ 7,942,904</b>	<b>\$ 9,343,843</b>



# MAGNETAWAN FIRST NATION

## Notes to Consolidated Financial Statements

Year ended March 31, 2019

### 9. Tangible capital assets (continued):

Cost	2017	Additions	Disposals	2018
Buildings	\$ 3,808,589	\$ 103,027	\$ -	\$ 3,911,616
Land improvements	33,200	124,990	-	158,190
Furniture, computers and fixtures	446,724	45,159	(30,997)	460,886
Vehicles and equipment	1,745,829	255,059	-	2,000,888
Roads infrastructure	312,449	-	-	312,449
Water systems	2,905,296	-	-	2,905,296
Housing	1,807,137	1,093,765	-	2,900,902
<b>Total</b>	<b>\$ 11,059,224</b>	<b>\$ 1,622,000</b>	<b>\$ (30,997)</b>	<b>\$ 12,650,227</b>

Accumulated Amortization	2017	Disposals	Amortization expense	2018
Buildings	\$ 706,131	\$ -	\$ 98,823	\$ 804,954
Land improvements	24,900	-	5,826	30,726
Furniture, computers and fixtures	393,711	(9,851)	17,604	401,464
Vehicles and equipment	612,042	-	175,930	787,972
Roads infrastructure	198,836	-	12,498	211,334
Water systems	1,722,465	-	116,212	1,838,677
Housing	538,035	-	94,161	632,196
<b>Total</b>	<b>\$ 4,196,120</b>	<b>\$ (9,851)</b>	<b>\$ 521,054</b>	<b>\$ 4,707,323</b>

	Net book value 2017	Net book value 2018
Buildings	\$ 3,102,458	\$ 3,106,662
Land improvements	8,300	127,464
Furniture, computers and fixtures	53,013	59,422
Vehicles and equipment	1,133,787	1,212,916
Roads infrastructure	113,613	101,115
Water systems	1,182,831	1,066,619
Housing	1,269,102	2,268,706
<b>Total</b>	<b>\$ 6,863,104</b>	<b>\$ 7,942,904</b>

# MAGNETAWAN FIRST NATION

## Notes to Consolidated Financial Statements

Year ended March 31, 2019

---

### 10. Contingent liabilities:

- (a) The First Nation has entered into accountable contribution arrangements with several government funding agencies. All such programs are subject to audit by the various governments, with audit adjustments repayable to the government.
- (b) In accordance with terms and conditions of a financing arrangement between the Bank of Montreal and the Robinson Huron Treaty Trust (the "Trust"), the First Nation as a beneficiary of the Trust has guaranteed borrowings in proportion to its beneficial interest in the Trust in the amount of \$174,000. As of March 31, 2019, its proportional outstanding loan balance as part of the Trust is \$173,189 (2018 – \$173,189).

### 11. Commitments:

- (a) The First Nation has entered into a 10-year license agreement with The TDL Group Corp. ("TDL"), which allows the licensing of a Tim Hortons kiosk in the Gas Bar building. Under the agreement, which continues in effect until 2026, the First Nation is required to remit to TDL a 6% recurring weekly royalty fee as a percentage of gross weekly sales. The First Nation is also required to pay a 2.5% advertising fund fee and a 1.5% local advertising and promotion fee, each calculated as a percentage of gross weekly sales, set aside by TDL for these purposes.

For the duration of the agreement, the First Nation is required to incur the costs to maintain the equipment, signage and infrastructure of the Tim Hortons kiosk in good order, maintaining the standards and image established by TDL.

No more than every 5 years, the First Nation is required to incur any costs to refurbish and modify the Tim Hortons kiosk and to conform to all dress and colour schemes. On an annual basis, the First Nation is required to repaint the interior and exterior of the Tim Hortons kiosk, as approved by TDL.

- (b) The First Nation has entered into a 5-year food services agreement with Dana Hospitality LP ("Dana") to provide management services for the Tim Hortons kiosk. The agreement is in place through January 31, 2021. The First Nation is required to pay Dana an annual fee of \$70,000 to be paid in 13 equal instalments during the year for its services. Effective November 1, 2019, the annual fee is reduced to \$50,000.

# MAGNETAWAN FIRST NATION

## Notes to Consolidated Financial Statements

Year ended March 31, 2019

### 12. Accumulated surplus:

Accumulated surplus consists of individual fund surplus and reserves and reserve funds as follows:

	2019	2018
Surplus (deficit):		
Invested in tangible capital assets	\$ 7,837,604	\$ 6,094,264
Operations	(842,211)	(1,047,014)
Investment in business enterprise	445,913	547,901
Unfinanced capital	(720,522)	—
	6,720,784	5,595,151
Restricted reserves:		
Consolidated revenue trust	8,676	8,676
Ontario First Nations Limited Partnership	1,835,186	1,492,633
	1,843,862	1,501,309
Committed reserves	1,393,082	1,378,164
	\$ 9,957,728	\$ 8,474,624

### 13. Indigenous Services Canada ("ISC"):

	2019	2018
ISC revenue per confirmation	\$ 1,568,020	\$ 2,142,147
Add: opening deferred revenue	394,894	1,267,068
Less: ending deferred revenue	(552,162)	(394,894)
Total ISC revenue per consolidated financial statements	\$ 1,410,752	\$ 3,014,321

Included in accounts payable and accrued liabilities are amounts due to ISC of \$58,382 (2018 - \$58,382).

### 14. Comparative information:

Certain 2018 comparative information have been reclassified to conform to the presentation adopted in 2019.

# MAGNETAWAN FIRST NATION

## Notes to Consolidated Financial Statements

Year ended March 31, 2019

---

### 15. Segmented information:

The First Nation is a diversified governmental institution that provides a wide range of services to its band members, including band support, economic development, education, health services, social assistance, community property, business operations, and land and resources. For management reporting purposes, the First Nation's operations and activities are organized and reported by fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

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

#### **General / Band Support**

The general / band support and governance function area oversees the delivery of all governmental services. The functional area 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 functional area includes the governance activities of chief and council, library services and new relationships.

#### **Economic Development**

The economic development functional area encourages economic development of the First Nation through economic growth initiatives and planning.

#### **Education**

The education functional area provides education management and transportation services to the member First Nations as well as overseeing various small incentives.

#### **Health Services**

The health services functional area provides a diverse bundle of services directed toward the well-being of the members of the First Nations including such activities as long-term care, diabetes, mental health, traditional healing and training designed to enhance the health of member communities, in addition to operating of a health center.

#### **Social Assistance**

The social assistance functional area provides services directed towards the well-being of members in need of non-health related services including such activities as income support, home support and provision of child welfare services.

#### **Community Infrastructure**

The community infrastructure functional area provides public works services and ensuring the longevity of the First Nation by the acquisition, construction and maintenance of the physical assets of the First Nation, excluding housing.

# MAGNETAWAN FIRST NATION

## Notes to Consolidated Financial Statements

Year ended March 31, 2019

---

### 15. Segmented information (continued):

#### **Business Operations**

The business operations functional area reflects the operations of an on-reserve Gas Bar and Convenience Store.

#### **Lands and Resources**

The lands and resources functional area provides services to develop land codes and manage the First Nation's land and natural resources to benefit the community.

#### **Housing**

The housing functional area manages the operations of the various rental housing owned by the First Nation including both CMHC and other band-owned housing. This includes tenant identification, rent collection and maintenance management.

#### **Tim Hortons**

The Tim Hortons functional area reflects the operations of an on-reserve Tim Hortons food and beverage kiosk.

#### **Community Property**

The community property functional area is responsible for all capital project activities occurring in the First Nation during the year, including all construction and renovations.

#### **Reserve and Restricted Funds**

The reserve and restricted funds functional area includes the management and distribution of funds received from the Ontario First Nations Limited Partnership as well as fund held in trust in Ottawa by Indigenous and Northern Affairs Canada.

For each reported segment, revenues and expenses include amounts that are directly attributable to the segment and amounts that are allocated 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 as disclosed in the summary of significant accounting policies.

# MAGNETAWAN FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2019

## 15. Segmented information (continued):

	General/Band Support	Economic Development	Education	Health Services	Social Assistance	Community Infrastructure	Business Operations	Lands and Resources	Housing	Tim Hortons	Community Property	Reserve and Restricted Funds	2019 Total
Revenue	\$ 923,117	344,871	936,965	914,941	232,395	397,740	9,189,096	11,522,690	309,746	1,076,795	-	592,182	26,440,538
Expenses:													
Salaries, benefits and honoraria	438,891	81,986	210,774	291,378	19,600	111,531	417,290	229,613	57,649	514,499	-	-	2,373,211
Travel and training	89,740	6,224	11,468	58,180	-	3,961	-	17,139	647	4,113	-	-	171,472
Interest on long-term debt	-	-	-	-	-	-	-	-	21,387	-	-	-	21,387
Contractual and professional fees	202,190	327,556	113,743	74,758	-	65,969	278,821	271,350	7,739	162,501	1,228,688	-	2,733,315
Materials, supplies and rentals	156,788	8,551	243,947	397,503	27,768	251,571	8,338,415	9,284,586	158,843	503,209	-	-	19,371,181
Tuition and student allowances	-	-	373,945	-	-	-	-	18,231	-	-	-	-	392,176
Program costs	79,874	6,482	113,023	97,737	199,570	32,397	150,031	363,644	56,965	-	-	251,583	1,351,306
Amortization of tangible capital assets	33,059	9,727	27,550	47,284	-	161,329	88,250	35,701	140,293	63,837	-	-	607,030
Investment in tangible capital assets	(64,410)	(178,797)	(99,301)	(130,455)	-	(24,248)	(229,189)	(177,882)	(12,070)	-	(1,147,292)	-	(2,063,644)
	916,132	261,729	995,149	836,385	246,938	602,510	9,043,618	10,042,382	431,453	1,248,159	81,396	251,583	24,957,434
Excess (deficiency) of revenue over expenses	\$ 6,985	83,142	(58,184)	78,556	(14,543)	(204,770)	145,478	1,480,308	(121,707)	(171,364)	(81,396)	340,599	1,483,104

# MAGNETAWAN FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2019

## 15. Segmented information (continued):

	General/Band Support	Economic Development	Education	Health Services	Social Assistance	Community Infrastructure	Business Operations	Lands and Resources	Housing	Tim Hortons	Community Property	Reserve and Restricted Funds	2018 Total
Revenue	\$ 713,462	189,387	971,473	687,598	227,552	389,636	6,731,206	4,118,094	239,025	851,881	1,128,945	575,003	16,823,262
Expenses:													
Salaries, benefits and honoraria	409,319	70,010	173,778	280,664	17,886	104,180	352,444	265,718	46,756	399,655	-	-	2,120,410
Travel and training	47,536	365	37,251	80,571	2,396	2,143	-	43,069	321	5,118	-	-	218,770
Interest on long-term debt	-	-	-	-	-	-	-	-	24,131	-	-	-	24,131
Contractual and professional fees	69,040	132,073	75,991	39,164	-	99,149	281,133	604,194	15,333	153,448	1,419,503	-	2,889,028
Materials, supplies and rentals	96,482	3,268	118,711	260,070	23,118	176,827	6,076,732	1,368,058	43,159	409,083	-	-	8,575,508
Tuition and student allowances	-	-	379,532	-	-	-	-	-	-	-	-	-	379,532
Program costs	73,922	1,024	79,461	51,042	194,260	41,030	132,092	1,316,224	71,789	187	-	260,178	2,221,209
Amortization of tangible capital assets	30,074	7,492	33,142	43,547	-	162,455	75,891	10,750	94,161	63,542	-	-	521,054
Investment in tangible capital assets	(3,284)	-	(20,000)	(29,269)	-	(5,631)	(231,379)	(214,988)	-	(21,797)	(1,095,652)	-	(1,622,000)
	723,089	214,232	877,866	725,789	237,660	580,153	6,686,913	3,393,025	295,650	1,009,236	323,851	260,178	15,327,642
Excess (deficiency) of revenue over expenses	\$ (9,627)	(24,845)	93,607	(38,191)	(10,108)	(190,517)	44,293	725,069	(56,625)	(157,355)	805,094	314,825	1,495,620