

Consolidated Financial Statements of

## **MAGNETAWAN FIRST NATION**

And Independent Auditors' Report thereon

Year ended March 31, 2021

## **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.





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## 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, 2021
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net financial assets (debt) 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, 2021, 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.

A handwritten signature in black ink that reads "KPMG LLP". The "KPMG" is in a bold, cursive font, and "LLP" is in a smaller, regular cursive font directly below it. There is a horizontal line underneath the signature.

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada

September 8, 2021

# **MAGNETAWAN FIRST NATION**

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Year ended March 31, 2021

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# MAGNETAWAN FIRST NATION

Exhibit A - Consolidated Statement of Financial Position

March 31, 2021, with comparative information for 2020

	2021	2020
<b>Financial Assets</b>		
Cash and short-term investments (note 2)	\$ 8,372,038	\$ 7,590,497
Restricted cash (note 3)	185,994	183,060
Funds held in Ottawa Trust Fund	8,777	8,676
Accounts receivable (note 4)	514,575	529,219
Investment in Shwe Miikaan Corp (note 5)	1	1
Investment in Shwe Miikaan Limited Partnership (note 6)	260,395	326,801
	<u>9,341,780</u>	<u>8,638,254</u>
<b>Financial Liabilities</b>		
Accounts payable and accrued liabilities	6,016,612	4,972,678
Deferred revenue (note 7)	1,825,372	1,400,436
Long-term debt (note 8)	<u>2,553,533</u>	<u>2,655,476</u>
	<u>10,395,517</u>	<u>9,028,590</u>
Net financial assets (net debt)	(1,053,737)	(390,336)
<b>Non-Financial Assets</b>		
Tangible capital assets (note 9)	10,491,672	9,692,764
Inventories - gas and store merchandise	177,803	205,029
Prepaid expenses and deposits	164,134	187,300
	<u>10,833,609</u>	<u>10,085,093</u>
Contingent liabilities (note 10)		
Commitments (note 11)		
Accumulated surplus (note 12)	\$ 9,779,872	\$ 9,694,757

See accompanying notes to consolidated financial statements.

Approved:



# MAGNETAWAN FIRST NATION

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

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
<b>Revenue:</b>		
Indigenous Services Canada (note 13)	\$ 2,623,102	\$ 1,784,688
Health Canada	2,165	17,127
Ontario First Nations Limited Partnership	538,879	554,459
Canada Mortgage and Housing Corporation	137,851	120,133
Ministry of Children, Community and Social Services	262,516	259,600
Ministry of Indigenous Affairs	151,189	85,000
Ministry of Health	142,656	142,656
Rental	299,175	209,800
Interest	88,385	81,918
Sales	5,749,997	8,535,692
Other	1,987,758	1,879,351
Share of net loss of investment in business enterprise	(66,406)	(119,111)
Contract	344,281	595,959
	12,261,548	14,147,272
<b>Expenses:</b>		
Band Support	1,231,583	522,836
Economic Development	235,458	273,580
Education	1,169,371	1,192,573
Tim Hortons Operations	733,648	1,068,572
Library	13,698	14,273
Health Services	1,184,539	848,761
Social Assistance	349,402	272,748
Community Infrastructure	611,796	622,103
Ontario First Nations Limited Partnership	84,622	96,587
CMHC Housing	241,153	276,024
Housing Authority	137,920	98,617
Business Operations	5,337,981	7,878,239
Lands and Resources	780,342	672,427
Special Projects	64,920	572,903
	12,176,433	14,410,243
<b>Excess (deficiency) of revenue over expenses</b>	<b>85,115</b>	<b>(262,971)</b>
Accumulated surplus, beginning of year	9,694,757	9,957,728
<b>Accumulated surplus, end of year</b>	<b>\$ 9,779,872</b>	<b>\$ 9,694,757</b>

See accompanying notes to consolidated financial statements.

# MAGNETAWAN FIRST NATION

Exhibit C - Consolidated Statement of Changes in Net Financial Assets (Net Debt)

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Excess (deficiency) of revenue over expenses	\$ 85,115	\$ (262,971)
Acquisition of tangible capital assets	(1,590,559)	(1,049,629)
Amortization of tangible capital assets	791,651	698,383
Loss on disposal of tangible capital assets	-	(2,675)
Proceeds on sale of tangible capital assets	-	5,000
	<u>(713,793)</u>	<u>(611,892)</u>
Acquisition of prepaid expenses and deposits	23,166	(58,000)
Acquisition of inventories	27,226	107,491
Change in net financial assets	<u>(663,401)</u>	<u>(562,401)</u>
Net financial assets, beginning of year	(390,336)	172,065
Net financial assets (net debt), end of year	<u>\$ (1,053,737)</u>	<u>\$ (390,336)</u>

See accompanying notes to consolidated financial statements.

# MAGNETAWAN FIRST NATION

## Exhibit D - Consolidated Statement of Cash Flows

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
<b>Operating transactions:</b>		
Excess (deficiency) of revenue over expenses	\$ 85,115	\$ (262,971)
Adjustments for:		
Amortization of tangible capital assets	791,651	698,383
Share of net loss of investment in business enterprise	66,406	119,111
<u>Gain on disposal of tangible capital assets</u>	<u>-</u>	<u>(2,675)</u>
	943,172	551,848
<b>Change in non-cash working capital:</b>		
Decrease in accounts receivable	14,644	471,867
Decrease in inventories	27,226	107,491
Decrease (increase) in prepaid expenses and deposits	23,166	(58,000)
Increase in accounts payable and accrued liabilities	1,043,934	2,238,706
Increase in deferred revenue	424,936	424,067
	2,477,078	3,735,979
<b>Capital transactions:</b>		
Cash used to acquire tangible capital assets	(1,590,559)	(1,049,629)
<u>Proceeds from disposal of tangible capital assets</u>	<u>-</u>	<u>5,000</u>
	(1,590,559)	(1,044,629)
<b>Financing transactions:</b>		
Principal payments on long-term debt	(101,943)	(87,049)
Long-term debt issued	-	1,236,286
	(101,943)	1,149,237
<b>Net increase in cash</b>	<b>784,576</b>	<b>3,840,587</b>
<b>Cash, beginning of year</b>	<b>7,782,233</b>	<b>3,941,646</b>
<b>Cash, end of year</b>	<b>\$ 8,566,809</b>	<b>\$ 7,782,233</b>
<b>Represented by:</b>		
Cash and short-term investments	\$ 8,372,038	\$ 7,590,497
Restricted cash	185,994	183,060
Funds held in Ottawa Trust Fund	8,777	8,676
	\$ 8,566,809	\$ 7,782,233

See accompanying notes to consolidated financial statements.

# MAGNETAWAN FIRST NATION

## Notes to Consolidated Financial Statements

Year ended March 31, 2021

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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:

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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

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# MAGNETAWAN FIRST NATION

## Notes to Consolidated Financial Statements

Year ended March 31, 2021

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### 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, 2021

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

Short-term investments, consisting of guaranteed investment certificates in the amount of \$6,391,695 (2020 - \$4,059,047), are recorded at cost and earn interest at a rate of 0.81% 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:

	2021	2020
Ministry of Transportation	\$ 118,000	\$ 118,000
Environment and Climate Change Canada	17,000	17,000
Ministry of Children, Community and Social Services	43,527	80,601
Indigenous Services Canada	41,131	41,131
Canada Mortgage and Housing Corporation	9,802	14,553
Kinoomaadziwin Education Body	605	57,338
Pattern Energy	-	52,752
Other	255,521	147,844
Due from band members	373,338	344,349
Allowance for doubtful accounts	(344,349)	(344,349)
	 \$ 514,575	 \$ 529,219

### 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 at March 31, 2021 is \$51,072. 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”).

	2021	2020
Investment in SMC	\$ 1	\$ 1
Accumulated share of net loss	(51,072)	(48,600)
Provision for impairment in value	51,072	48,600
	 1	 \$ 1

# MAGNETAWAN FIRST NATION

## Notes to Consolidated Financial Statements

Year ended March 31, 2021

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### 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 deficits in SMLP at March 31, 2021 is \$66,406. The investment in SMLP is accounted for using the equity method.

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

	2021	2020
Investment in SMLP	\$ 326,801	\$ 500,000
Accumulated share of net earnings (deficits)	(66,406)	(43,199)
Accumulated distributions	-	(130,000)
	260,395	\$ 326,801

### 7. Deferred revenue:

	2021	2020
Indigenous Services Canada	\$ 1,065,860	\$ 964,332
Kinoomaadziwin Education Body	201,852	184,204
Ministry of Transportation	83,793	83,793
Union of Ontario Indians	180,945	70,167
Other	292,922	97,940
	\$ 1,825,372	\$ 1,400,436

# MAGNETAWAN FIRST NATION

## Notes to Consolidated Financial Statements

Year ended March 31, 2021

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### 8. Long-term debt:

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

	2021	2020
Canada Mortgage and Housing Corporation (“CMHC”):		
Monthly payments of \$1,747, including interest at 1.83%, renewal date December 2024	\$ 160,479	\$ 178,350
Monthly payments of \$1,221, including interest at 2.06%, renewal date on November 2022	86,938	99,668
Monthly payments of \$1,293 including interest at 1.73%, renewal date on February 2025	187,816	199,992
Monthly payments of \$1,208 including interest at 2.61%, renewal date on December 2023	205,328	214,386
Monthly payments of \$1,068 including interest at 1.35%, renewal date on May 2022	235,995	245,574
Monthly payments of \$5,303 including interest at 1.91%, renewal date on June 2024	1,195,401	1,235,930
	2,071,957	2,173,900
First advance on CMHC mortgage payable, repayment terms to be established	481,576	481,576
	\$ 2,553,533	\$ 2,655,476

Principal repayments are due as follows:

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2022	\$ 103,652
2023	105,643
2024	107,673
2025	109,742
2026	111,852
Thereafter	2,014,971

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# MAGNETAWAN FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2021

## 9. Tangible capital assets:

Cost	2020	Additions	Disposals	2021
Buildings	\$ 4,082,065	\$ 95,172	\$ -	\$ 4,177,237
Land improvements	425,193	157,920	-	583,113
Furniture, computers and fixtures	553,627	20,546	-	574,173
Vehicles and equipment	2,529,522	571,950	-	3,101,472
Roads infrastructure	342,449	-	-	342,449
Water systems	2,912,571	79,469	-	2,992,040
Housing	4,767,608	665,502	-	5,433,110
<b>Total</b>	<b>\$ 15,613,035</b>	<b>\$ 1,590,559</b>	<b>\$ -</b>	<b>\$ 17,203,594</b>

Accumulated Amortization	2020	Disposals	Amortization expense	2021
Buildings	\$ 1,002,775	\$ -	\$ 105,270	\$ 1,108,045
Land improvements	63,725	-	24,314	88,039
Furniture, computers and fixtures	410,264	-	37,134	447,398
Vehicles and equipment	1,195,053	-	304,157	1,499,210
Roads infrastructure	232,342	-	12,246	244,588
Water systems	2,071,246	-	118,092	2,189,338
Housing	944,866	-	190,438	1,135,304
<b>Total</b>	<b>\$ 5,920,271</b>	<b>\$ -</b>	<b>\$ 791,651</b>	<b>\$ 6,711,922</b>

	Net book value 2020	Net book value 2021
Buildings	\$ 3,079,290	\$ 3,069,192
Land improvements	361,468	495,074
Furniture, computers and fixtures	143,363	126,775
Vehicles and equipment	1,334,469	1,602,262
Roads infrastructure	110,107	97,861
Water systems	841,325	802,702
Housing	3,822,742	4,297,806
<b>Total</b>	<b>\$ 9,692,764</b>	<b>\$ 10,491,672</b>

# MAGNETAWAN FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2021

## 9. Tangible capital assets (continued):

Cost	2019	Additions	Disposals	2020
Buildings	\$ 3,993,595	\$ 88,470	\$ -	\$ 4,082,065
Land improvements	407,557	17,636	-	425,193
Furniture, computers and fixtures	579,377	16,382	(42,132)	553,627
Vehicles and equipment	2,441,234	134,760	(46,472)	2,529,522
Roads infrastructure	342,449	-	-	342,449
Water systems	2,905,296	7,275	-	2,912,571
Housing	3,982,502	785,106	-	4,767,608
<b>Total</b>	<b>\$ 14,652,010</b>	<b>\$ 1,049,629</b>	<b>\$ (88,604)</b>	<b>\$ 15,613,035</b>

Accumulated Amortization	2019	Disposals	Amortization expense	2020
Buildings	\$ 900,503	\$ -	\$ 102,272	\$ 1,002,775
Land improvements	44,918	-	18,807	63,725
Furniture, computers and fixtures	417,962	(42,132)	34,434	410,264
Vehicles and equipment	999,940	(44,147)	239,260	1,195,053
Roads infrastructure	220,091	-	12,251	232,342
Water systems	1,954,889	-	116,357	2,071,246
Housing	769,864	-	175,002	944,866
<b>Total</b>	<b>\$ 5,308,167</b>	<b>\$ (86,279)</b>	<b>\$ 698,383</b>	<b>\$ 5,920,271</b>

	Net book value 2019	Net book value 2020
Buildings	\$ 3,093,092	\$ 3,079,290
Land improvements	362,639	361,468
Furniture, computers and fixtures	161,415	143,363
Vehicles and equipment	1,441,294	1,334,469
Roads infrastructure	122,358	110,107
Water systems	950,407	841,325
Housing	3,212,638	3,822,742
<b>Total</b>	<b>\$ 9,343,843</b>	<b>\$ 9,692,764</b>

# MAGNETAWAN FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2021

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## 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, 2021, its proportional outstanding loan balance as part of the Trust is \$174,000 (2020 – \$174,000).

## 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 entered into a 5-year food services agreement with Dana Hospitality LP ("Dana") to provide management services for the Tim Hortons kiosk. The agreement was in place until January 31, 2021. The First Nation has been making payments on a monthly basis under the same terms and conditions of the previous agreement. A new agreement is expected to be signed in October 2021. The monthly payments are based on an annual fee of \$50,000, paid in equal instalments.

# MAGNETAWAN FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2021

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## 12. Accumulated surplus:

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

	2021	2020
Surplus (deficit):		
Invested in tangible capital assets	\$ 7,938,139	\$ 7,037,288
Operations	(2,269,050)	(1,700,143)
Investment in business enterprise	260,395	326,801
Unfinanced capital	(861,744)	(221,742)
	5,067,740	5,442,204
Restricted reserves:		
Consolidated revenue trust	8,777	8,676
Ontario First Nations Limited Partnership	2,561,960	2,225,927
	2,570,737	2,234,603
Committed reserves	2,141,395	2,017,950
	\$ 9,779,872	\$ 9,694,757

## 13. Indigenous Services Canada (“ISC”):

	2021	2020
ISC revenue per confirmation	\$ 2,753,130	\$ 2,088,700
Add: opening deferred revenue	964,332	552,162
Add: funding excluded from confirmation	-	70,090
Add: prior year funding adjustment	-	38,068
Less: receivable amounts not recorded	(28,500)	-
Less: ending deferred revenue	(1,065,860)	(964,332)
Total ISC revenue per consolidated financial statements	\$ 2,623,102	\$ 1,784,688

Included in accounts payable and accrued liabilities are amounts due to ISC of \$58,382 (2020 - \$58,382).

## 14. Comparative information:

Certain 2020 comparative information have been reclassified to conform to the presentation adopted in 2021.

# MAGNETAWAN FIRST NATION

## Notes to Consolidated Financial Statements

Year ended March 31, 2021

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### **15. Financial risks and concentration of risks:**

Other risks:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This resulted in the Canadian and Provincial governments enacting emergency measures to combat the spread of the virus. The First Nation closed certain facilities based on recommendations from Public Health Ontario. In response to the adverse impact the pandemic has had on certain revenue streams, the First Nation has undertaken certain cost cutting measures. The impact of COVID-19 is expected to negatively impact operations for a duration that cannot be reasonably predicted. The further overall operational and financial impact is highly dependent on the duration of COVID-19, including the potential occurrence of additional waves of the pandemic, and could be affected by other factors that are currently not known at this time. Management is actively monitoring the effect of the pandemic on its financial condition, liquidity, operations, suppliers, and workforce. Given the daily evolution of the pandemic and the global responses to curb its spread, the First Nation is not able to fully estimate the effects of the pandemic on its results of operations, financial condition, or liquidity at this time.

### **16. 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.

# MAGNETAWAN FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2021

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## **16. Segmented information (continued):**

### **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.

### **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.

# **MAGNETAWAN FIRST NATION**

Notes to Consolidated Financial Statements

Year ended March 31, 2021

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## **16. Segmented information (continued):**

### **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, 2021

## 16. 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	2021 Total
Revenue	\$ 938,957	286,594	1,197,583	1,094,485	327,792	476,804	5,239,047	1,374,224	332,646	510,950	-	482,466	12,261,548
Expenses:													
Salaries, benefits and honoraria	562,549	73,741	288,091	391,952	36,458	161,090	415,851	350,095	66,734	316,644	-	-	2,663,205
Travel and training	9,078	5,330	6,351	21,750	500	333	-	13,046	-	2,192	-	-	58,580
Interest on long-term debt	-	-	-	-	-	-	-	-	40,007	-	-	-	40,007
Contractual and professional fees	451,357	128,779	52,342	50,948	-	98,003	52,744	125,357	1,957	107,096	640,002	-	1,708,585
Materials, supplies and rentals	204,255	156,613	216,973	467,681	10,626	221,185	4,690,273	271,999	93,159	243,683	-	-	6,576,447
Tuition and student allowances	-	-	499,862	-	-	-	-	10,548	-	-	-	-	510,410
Program costs	(23,828)	47,151	139,053	275,186	301,818	22,331	77,041	487,510	7,027	196	-	84,622	1,418,107
Amortization of tangible capital assets	49,563	21,664	35,337	59,639	-	197,694	102,072	66,156	195,689	63,837	-	-	791,651
Investment in tangible capital assets	(7,692)	(197,820)	(68,638)	(82,617)	-	(88,840)	-	(479,450)	(25,500)	-	(640,002)	-	(1,590,559)
	1,245,282	235,458	1,169,371	1,184,539	349,402	611,796	5,337,981	845,261	379,073	733,648	-	84,622	12,176,433
Excess (deficiency) of revenue over expenses	\$ (306,325)	51,136	28,212	(90,054)	(21,610)	(134,992)	(98,934)	528,963	(46,427)	(222,698)	-	397,844	85,115

# MAGNETAWAN FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2021

## 16. 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	2020 Total
Revenue	\$ 682,173	307,270	1,134,078	799,387	281,537	380,045	7,746,045	1,273,072	306,008	789,647	-	448,010	14,147,272
Expenses:													
Salaries, benefits and honoraria	381,022	82,912	352,136	300,563	29,177	131,042	460,928	343,840	44,788	469,680	-	-	2,596,088
Travel and training	24,422	4,858	21,880	44,542	2,577	8,328	-	24,049	722	722	-	-	132,100
Interest on long-term debt	-	-	-	-	-	-	-	-	42,720	-	-	-	42,720
Contractual and professional fees	166,573	84,231	51,220	33,453	-	139,747	188,569	101,086	-	149,006	785,106	-	1,698,991
Materials, supplies and rentals	226,030	63,102	131,043	199,308	23,799	155,682	7,167,043	633,170	76,446	385,209	-	-	9,060,832
Tuition and student allowances	-	5,895	471,408	-	-	-	-	4,326	-	-	-	-	481,629
Program costs	(254,413)	29,602	135,962	225,470	217,195	40,673	101,076	127,148	29,711	118	-	96,587	749,129
Amortization of tangible capital assets	44,231	12,272	32,677	50,378	-	162,250	97,894	54,590	180,254	63,837	-	-	698,383
Investment in tangible capital assets	(50,755)	(9,292)	(3,753)	(4,953)	-	(15,619)	(137,271)	(42,880)	-	-	(785,106)	-	(1,049,629)
	537,110	273,580	1,192,573	848,761	272,748	622,103	7,878,239	1,245,329	374,641	1,068,572	-	96,587	14,410,243
Excess (deficiency) of revenue over expenses	\$ 145,063	33,690	(58,495)	(49,374)	8,789	(242,058)	(132,194)	27,743	(68,633)	(278,925)	-	351,423	(262,971)