

PRIVATE AND CONFIDENTIAL

Indigenous Services Canada
760 Notre Dame Avenue, Unit M
SUDBURY, ON
P3A 2T4

October 17, 2022

To whom it may concern:

Re: Magnetawan First Nation

Please find enclosed the Consolidated Financial Statements for the Magnetawan First Nation for the year ended March 31, 2022 and the Schedule of Remuneration and Expenses for Chief and Council, for publishing on ISC's website.

If you have any questions, please do not hesitate to contact the office.

Yours truly,

FREELANDT CALDWELL REILLY LLP



Tony McGregor CPA, CA
Principal

Encl/
30753

Consolidated financial statements of
MAGNETAWAN FIRST NATION

Year ended March 31, 2022

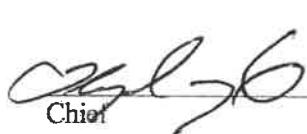
MANAGEMENT'S RESPONSIBILITY STATEMENT

The accompanying consolidated financial statements of the **Magnetawan First Nation** are the responsibility of management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies are described in Note 1 to these consolidated financial statements. The preparation of the consolidated financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Magnetawan First Nation's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Chief and Council meets with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

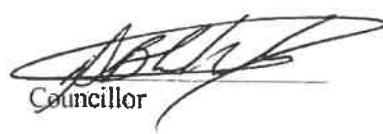
The consolidated financial statements have been audited by Freelandt Caldwell Reilly LLP, independent external auditors appointed by the Magnetawan First Nation. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Magnetawan First Nation's consolidated financial statements.



Chief



Councillor



Councillor



INDEPENDENT AUDITORS' REPORT

To: **The Members of the Magnetawan First Nation**

Opinion

We have audited the consolidated financial statements of the Magnetawan First Nation, which comprise the statement of financial position as at March 31, 2022, and the statements of operations and accumulated surplus, changes in net debt, 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 consolidated financial statements present fairly, in all material respects, the financial position of the Magnetawan First Nation as at March 31, 2022, and its financial performance and 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 Auditors' Responsibilities for the Audit of the consolidated financial statements section of our 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 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.

Other Matter

The First Nation's consolidated financial statements as at and for the year ended March 31, 2021, presented as comparative figures within the accompanying consolidated financial statements, were audited by another firm of licensed public accountants who expressed an unqualified opinion on those financial statements on September 8, 2021.

Continued on next page

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 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.

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

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 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 First Nation's internal control.

Continued on next page

- 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 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 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

Freelandt Caldwell Reilly LLP

FREELANDT CALDWELL REILLY LLP

Chartered Professional Accountants
Licensed Public Accountants

Sudbury, Canada
October 7, 2022

Magnetawan First Nation
 Consolidated Statement of Financial Position

March 31, 2022, with comparative figures for 2021

	2022	2021 (restated - note 24)
Financial assets:		
Cash and short-term investments (note 2)	\$ 9,250,820	\$ 8,372,038
Restricted cash (note 3)	188,628	185,994
Accounts receivable (note 4)	1,485,676	514,575
Funds held in Ottawa Trust Fund (note 5)	8,777	8,777
Funds held in Minor's Trust (note 6)	149,530	149,530
Investment in Shwe Miikaan Corp (note 7)	1	1
Investment in Shwe Miikaan Limited Partnership (note 8)	260,395	260,395
Total financial assets	11,343,827	9,491,310
Financial liabilities:		
Accounts payable and accrued liabilities (note 9)	8,822,792	6,834,370
Minor's Trust (Note 6)	149,530	149,530
Deferred contributions (note 10)	3,812,834	1,825,372
Long-term debt (note 11)	2,454,316	2,553,533
Total financial liabilities	15,239,472	11,362,805
Net financial debt	(3,895,645)	(1,871,495)
Non-financial assets (note 12):		
Tangible capital assets (note 19)	10,617,325	10,491,672
Inventories - gas and store merchandise	364,871	177,803
Prepaid expenses and deposits	255,858	164,134
Total non-financial assets	11,238,054	10,833,609
Accumulated surplus (note 13)	\$ 7,342,409	\$ 8,962,114
Contingent liabilities (note 14)		
Commitments (note 15)		
Economic dependence (note 16)		

See accompanying notes to consolidated financial statements

Approved on behalf of the Chief and Council of the Magnetawan First Nation:

 Chief
 Councillor
 Councillor

Magnetawan First Nation

Consolidated Statement of Operations and Accumulated Surplus

Year ended March 31, 2022, with comparative figures for 2021

	2022	2021 (restated - note 24)
Revenues:		
Indigenous Services Canada (note 18)		
Other	\$ 4,182,089	\$ 2,625,267
Repayable to funders	14,581,401	10,127,623
Share of net loss of investment in business enterprises	(129,709)	-
Deferred contributions, beginning of year	-	(66,406)
	1,825,372	1,400,436
	<u>20,459,153</u>	<u>14,086,920</u>
Expenses (by program area):		
Band Support	2,379,834	1,320,050
Economic Development	554,577	235,458
Education	1,232,669	1,169,371
Business Operations - Tim Hortons	1,102,813	733,648
Library	13,438	13,698
Health Services	1,209,963	1,184,539
Social Assistance	256,458	349,402
Community Infrastructure (Public Works)	671,331	611,796
OFNLP	349,142	84,622
Housing	616,894	379,073
Business Operations - Esso	9,256,444	5,542,262
Lands and Resources	601,131	780,342
Special Projects	21,330	64,920
Total expenses	<u>18,266,024</u>	<u>12,469,181</u>
Excess of revenues over expenses from general operations	2,193,129	1,617,739
Deferred contributions, end of year	<u>(3,812,834)</u>	<u>(1,825,372)</u>
Excess (deficiency) of revenues over expenses for the year	(1,619,705)	(207,633)
Accumulated surplus, beginning of year, as originally stated	8,962,114	9,694,757
Prior period adjustment (note 24)	-	(525,010)
Accumulated surplus, beginning of year, as restated	<u>8,962,114</u>	<u>9,169,747</u>
Accumulated surplus, end of year	\$ 7,342,409	\$ 8,962,114

See accompanying notes to consolidated financial statements

Magnetawan First Nation

Consolidated Statement of Changes in Net Debt

Year ended March 31, 2022 with comparative figures for 2021

	2022	2021 (restated - note 24)
Excess (deficiency) of revenues over expenses for the year	\$ (1,619,705)	\$ (207,633)
Amortization of tangible capital assets	903,036	791,651
Acquisition of tangible capital assets	(1,028,689)	(1,590,559)
Acquisition of inventories	(187,068)	27,226
Change in prepaid expenses	(91,724)	23,166
Increase (decrease) in net assets for the year	(2,024,150)	(956,149)
Net debt, beginning of year, as originally stated	(1,871,495)	(390,336)
Prior period adjustment (note 24)	-	(525,010)
Net debt, beginning of year	(1,871,495)	(915,346)
Net debt, end of year	\$ (3,895,645)	\$ (1,871,495)

See accompanying notes to consolidated financial statements

Magnetawan First Nation

Consolidated Statement of Cash Flows

Year ended March 31, 2022 with comparative figures for 2021

	2022	2021 (restated - note 24)
Cash flows from operating activities:		
Excess (deficiency) of revenues over expenses for the year	\$ (1,619,705)	\$ (207,632)
Non-cash charges to operations:		
Amortization of tangible capital assets	903,036	791,651
Share of net loss of investment in business enterprise	-	66,406
	(716,669)	650,425
Change in financial assets and liabilities relating to operations:		
Accounts receivable	(971,101)	14,644
Inventories	(187,068)	27,226
Prepaid expenses	(91,724)	23,166
Accounts payable and accrued liabilities	1,988,422	1,336,681
Deferred contributions	1,987,462	424,936
Net change in cash from operating activities	2,009,322	2,477,078
Cash flows from capital activities:		
Cash used to acquire tangible capital assets	(1,028,689)	(1,590,559)
Cash flows from financing activities:		
Repayment of long-term debt	(99,217)	(101,943)
Net change in cash for the year	881,416	784,576
Cash, beginning of year	8,566,809	7,782,233
Cash, end of year	\$ 9,448,225	\$ 8,566,809
Cash consists of:		
Cash and short-term investments (note 2)	\$ 9,250,820	\$ 8,372,038
Restricted Cash - Robinson Huron Treaty Trust (note 3)	188,628	185,994
Funds held in Ottawa Trust Fund	8,777	8,777
	\$ 9,448,225	\$ 8,566,809

See accompanying notes to consolidated financial statements

MAGNETAWAN FIRST NATION
Notes to the Consolidated Financial Statements
March 31, 2022

The Magnetawan First Nation (the “First Nation”) is a First Nation community located in Britt, Ontario. The First Nation, under the direction of its Chief and Council and management, operate various programs for the benefit of its members including municipal services, health services, economic development, housing, education, and other services.

1. Significant accounting policies

These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards for local government entities established by the Public Sector Accounting Board (“PSAB”) of the Chartered Professional Accountants of Canada. The significant accounting policies are summarized as follows:

(a) Reporting entity and basis of consolidation:

These consolidated financial statements include the assets, liabilities, accumulated surpluses/deficits, revenues and expenses of the entities that have been determined to be accountable to Magnetawan First Nation (“the First Nation”) and are either owned or under the control of the First Nation.

The consolidated financial statements include the assets, liabilities, and results of operations of the following entities which are currently inactive:

- Magnetawan Development GP Inc.
- Magnetawan Development Limited Partnership

(b) Basis of accounting:

Revenues and expenses are reported using the accrual basis of accounting. Revenues are recognized as they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(c) Tangible capital assets:

Tangible capital assets are recorded at cost. The First Nation provides for amortization using the straight-line method designed to amortize the cost, less any residual value, of the tangible capital assets over their estimated useful lives. The annual amortization rates are as follows:

Buildings	40 years
Land improvements	15-20 years
Roads & bridges	25 years
Water Systems	25 years
Housing	25 years
Furniture, computers, and fixtures	3-10 years
Vehicles and equipment	10 years

MAGNETAWAN FIRST NATION
Notes to the Consolidated Financial Statements
March 31, 2022

1. Significant accounting policies, continued

(d) Revenue recognition and deferred contributions:

Revenues from government grants and contributions are recognized in the period that the events giving rise to the government transfer have occurred as long as: the transfer is authorized; the eligibility criteria, if any, have been met; and the amount can reasonably be estimated. Funding received under the funding arrangements, which relate to a subsequent fiscal period and the unexpended portions of contributions received for specific purposes are reflected as deferred contributions in the year of receipt and are recognized as revenue in the period in which all of the recognition criteria have been met. Other revenues are recorded on the accrual basis when earned and the amount can be reasonably estimated, and collection is reasonably assured. Revenue related to fees and services are recognized when the fee is earned, or the service is performed.

(e) Use of estimates:

The preparation of the consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the consolidated financial statements and reported amounts of certain revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty. The effect of changes in such estimates on the consolidated financial statements in future periods could be significant. Amounts specifically affected by estimates in these consolidated financial statements are certain accounts receivable, allowance for doubtful accounts, useful lives of tangible capital assets, certain deferred contributions, amounts repayable to certain funders and fair value determinations.

(f) Financial instruments:

Measurement of financial instruments

The First Nation initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument. Amounts due to and from related parties are measured at the exchange amount, being the amount agreed upon by the related parties.

The First Nation subsequently measures its financial assets and financial liabilities at amortized cost, except for investments in equity securities that are quoted in an active market, which are subsequently measured at fair value. Changes in fair value are recognized in operations in the period they occur.

Financial assets measured at amortized cost include cash, restricted cash, accounts receivable, funds held in Ottawa trust fund, funds held in minor's trust.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, minor's trust and long-term debt.

MAGNETAWAN FIRST NATION
Notes to the Consolidated Financial Statements
March 31, 2022

2. Cash and short-term investments

Included in cash and short-term investments are \$Nil (2021 - \$6,391,695) of guaranteed investment certificates.

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 14(a).

4. Accounts Receivable

	2022	2021
Ministry of Transport	118,000	118,000
Environment and Climate Change Canada	17,000	17,000
Ministry of Children, Community and Social Services	-	43,527
Indigenous Services Canada	628,571	41,131
Canada Mortgage and Housing Corporation	9,802	9,802
Kinoomaadziwin Education Body	-	605
Union of Ontario Indians	130,696	11,934
Other	645,094	243,587
Due from band members	-	373,338
Allowance for doubtful accounts	(63,487)	(344,349)
	<hr/> \$ 1,485,676	<hr/> \$ 514,575

5. Funds Held in Trust by Indigenous Services Canada

Funds Held in Trust by Indigenous Services Canada 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 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.

6. Minor's Trust

The Chief and Council manages the Magnetawan Minor's Trust on behalf of the members. The purpose of the trust is to hold and invest trust monies until a beneficiary reaches the age of majority, provided they have graduated high school or obtain a high school equivalency, or their 21st birthday. At their eligibility date, a beneficiary is entitled to a payment of \$3,500 plus accumulated interest. At March 31, 2022 \$149,530 is held in the Minor's Trust.

MAGNETAWAN FIRST NATION
Notes to the Consolidated Financial Statements
March 31, 2022

7. Investment in Shwe Miikaan Corp (“SMC”)

The First Nation’s investment in SMC represented a 33.333% ownership interest. The First Nation’s share of the accumulated investment loss in SMC at March 31, 2022 is \$51,702. The investment in SMC is accounted for using the equity method.

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

	2022	2021
Investment in SMC	\$ 1	\$ 1
Accumulated share of net losses of the entity	(51,072)	(51,072)
Unfunded deficit	51,072	51,072
	\$ 1	\$ 1

8. Investment in Shwe Miikaan Limited Partnership

The First Nation’s investment in SMLP represents 33.333% ownership interest. The First Nation’s share of the accumulated investment deficits in SMLP at March 31, 2022 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.

	2022	2021
Investment in SMLP	\$ 326,801	\$ 326,801
Accumulated share of net earnings (deficits) of the entity	(66,406)	(66,406)
Accumulated share distributions	-	-
	\$ 260,395	\$ 260,395

MAGNETAWAN FIRST NATION
Notes to the Consolidated Financial Statements
March 31, 2022

9. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities is an amount owing for HST collected but not yet remitted in the amount of \$7,192,903 (2021 - \$5,754,600), resulting from the sale of fuel to non-status individuals and the commercial contract sale of fuel and related equipment to an HST registrant contractor. Included in this amount are penalties and interest which had previously not been recognized. Interest and penalties for the current year total \$359,864 (2021 - \$292,747). An adjustment to opening accumulated surplus was recorded reflecting the balance of \$525,010 owing for penalties and interest from years prior to 2021.

10. Deferred contributions

Deferred contributions consist of the following:

	2022	2021
Indigenous Services Canada	\$ 2,543,094	\$ 1,065,860
Kinoomaadziwan Education Body	320,683	201,852
Ministry of Transportation	79,121	83,793
Union of Ontario Indians	252,928	180,945
Other	617,008	292,922
	<hr/> \$3,812,834	<hr/> \$ 1,825,372

MAGNETAWAN FIRST NATION
Notes to the Consolidated Financial Statements
March 31, 2022

11. Long-term debt

	2022	2021
Canada Mortgage and Housing Corporation mortgage. Repayable by monthly blended payments of \$1,747 including interest at 1.83% per annum, maturing June 2024. Insured by Canada Mortgage and Housing Corporation. Secured by a guarantee from Indigenous Services Canada.	\$ 142,276	\$ 160,479
Canada Mortgage and Housing Corporation mortgage. Repayable by monthly blended payments of \$1,221 including interest at 2.06% per annum, maturing July 2022. Insured by Canada Mortgage and Housing Corporation. Secured by a guarantee from Indigenous Services Canada.	73,949	86,938
Canada Mortgage and Housing Corporation mortgage. Repayable by monthly blended payments of \$1,293 including interest at 1.73% per annum, maturing October 2025. Insured by Canada Mortgage and Housing Corporation. Secured by a guarantee from Indigenous Services Canada.	175,436	187,816
Canada Mortgage and Housing Corporation mortgage. Repayable by monthly blended payments of \$1,209 including interest at 2.61% per annum, maturing December 2023. Insured by Canada Mortgage and Housing Corporation. Secured by a guarantee from Indigenous Services Canada.	196,045	205,328
Canada Mortgage and Housing Corporation mortgage. Repayable by monthly blended payments of \$1,068 including interest at 1.35% per annum, maturing May 2022. Insured by Canada Mortgage and Housing Corporation. Secured by a guarantee from Indigenous Services Canada.	226,293	235,995

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MAGNETAWAN FIRST NATION
Notes to the Consolidated Financial Statements
March 31, 2022

11. Long-term debt - continued

	2022	2021
Canada Mortgage and Housing Corporation mortgage. Repayable by monthly blended payments of \$5,303 including interest at 1.91% per annum, maturing June 2024. Insured by Canada Mortgage and Housing Corporation. Secured by a guarantee from Indigenous Services Canada.	1,154,147	1,195,401
	<hr/> 1,968,146	2,071,957
First advance on CMHC mortgage payable terms to be established	486,169	481,576
	<hr/> \$ 2,454,315	\$ 2,553,533

Estimated principal re-payments, assuming renewal under similar terms and conditions, are as follows:

2023	\$ 105,643
2024	107,673
2025	109,742
2026	111,852
2027	114,005
Subsequent years	<hr/> 1,905,397
	<hr/> \$ 2,454,315

Certain costs were incurred which are expected to be funded by the Canada Mortgage and Housing Corporation at project completion and upon final inspection and approval by the Canada Mortgage and Housing Corporation. These funds will be advanced by way of a Canada Mortgage and Housing Corporation mortgage to fund eligible costs up to \$1,000,000. As of March 31, 2022, the total undisbursed mortgage funds amount to \$518,424 (2021 - \$518,424).

12. Non-financial assets

Tangible capital assets and prepaid expenses are accounted for as assets by the First Nation because they can be used to provide services to members in future periods. These assets do not normally provide resources to discharge the liabilities of the First Nation unless they are sold.

MAGNETAWAN FIRST NATION
Notes to the Consolidated Financial Statements
March 31, 2022

13. Accumulated Surplus

	2022	2021 (restated - note 24)
Invested in tangible assets	\$ 7,301,265	\$ 7,076,395
Operations	(4,670,093)	(3,086,808)
Robinson Huron Treaty Litigation Fund reserves	(270,500)	-
Investment in business enterprise	260,395	260,395
Restricted revenue trust	8,777	8,777
Restricted Ontario First Nations Limited Partnership		
Distributions, 9.1 reporting	2,548,605	2,561,960
CMHC replacement reserve	132,589	110,024
Committed reserves	2,031,371	2,031,371
	\$ 7,342,409	\$ 8,962,114

14. Contingent liabilities

a) Loan guarantees:

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 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, 2022, its proportional outstanding loan balance as part of the Trust is \$174,000 (2021 - \$174,000).

b) Government funding:

The First Nation has entered into accountable contribution arrangements with several government funding agencies. All such programs are subject to audit by the various government agencies. Should these audits result in recoveries of grants, the amount of these recoveries would be recorded in the accounts in the year in which they are determined.

c) Contingencies:

The First Nation is defending legal actions brought by former employees alleging wrongful dismissal, with damages in the amount of \$275,000. The First Nation believes that any loss resulting from these actions is not likely. Therefore, no accrual for losses relating to the above have been recorded in these consolidated financial statements. If this should change, a provision for loss will be recorded in the period in which it is known and can be reliably measured.

MAGNETAWAN FIRST NATION
Notes to the Consolidated Financial Statements
March 31, 2022

15. Commitments

a) TDL Group Corp:

The First Nation entered into a 10-year licence agreement with TDL Group Corp ("TDL"), which allows the licensing of 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 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) Dana Hospitality

The First Nation entered into a 2 year food services agreement with Dana Hospitality LP ("Dana") to provide management services for the Tim Hortons kiosk. The agreement is in place until January 31, 2024. The monthly payments are based on an annual fee of \$50,000 paid in equal instalments.

16. Economic dependence

The First Nation has a funding arrangement with Indigenous Services Canada which provides funds to administer operations and provide services to its members in accordance with the terms of the funding arrangement.

As this funding arrangement provides the First Nation's major source of revenue, its ability to continue viable operations are dependent upon maintaining this funding arrangement.

MAGNETAWAN FIRST NATION
Notes to the Consolidated Financial Statements
March 31, 2022

17. Financial instruments

Transactions in financial instruments may result in an organization assuming or transferring to another party one or more of the financial risks described below. The First Nation is exposed to the following risks associated with financial instruments and transactions it is a party to:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge a financial obligation. The First Nation's main credit risk relate to its cash, restricted cash, funds held in trust and accounts receivable.

Credit risk associated with cash, restricted cash and funds held in trust is minimized by ensuring these financial assets are placed and held with financial institutions and other entities with high credit ratings.

The First Nation is exposed to credit risk through its accounts receivables balances (including band member loans) totalling of \$1,485,676 (2021 - \$514,575) The First Nation manages this exposure though management's on-going monitoring of accounts receivable balances and collections. An allowance for uncollectible accounts is recoded when applicable.

Liquidity risk

Liquidity risk is the risk that the First Nation cannot repay its obligations when they become due to its creditors. The First Nation is exposed to liquidity risk in the accounts payable and accrued liabilities of \$8,822,792 (2021 - \$6,834,370). The First Nation reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due and maintains adequate cash resources to pay creditors including scheduled long-term debt payments when required.

18. Contribution arrangement funding provided by Indigenous Services Canada

\$4,182,089 in funding was provided to the First Nation by Indigenous Services Canada. In the current year \$87,385 of the funding has been provided under set contribution funding arrangements all other amounts received are received under Block, Fixed or Grant funding arrangements and are allowed to be carried forward into the next fiscal year where flexible surpluses have occurred.

Funding area	Program	Funding	Expenditures	Repayable
Health Services	Medical Transportation - Client Insured	\$ 69,511	\$ 45,272	\$ 24,239
Health Services	Medical Transportation - Administration	17,874	17,874	-

MAGNETAWAN FIRST NATION
Notes to the Consolidated Financial Statements
March 31, 2022

19. Tangible capital assets

	2022						Capital assets under construction	Totals
	Buildings	Improvements	Land computers and fixtures	Vehicles and equipment	Roads infrastructure	Water systems		
Cost								
Balance, beginning of year	\$ 4,177,237	\$ 583,113	\$ 574,173	\$ 3,101,472	\$ 342,449	\$ 2,992,040	\$ 5,433,110	\$ 17,203,594
Additions	161,839	46,638	24,578	100,813	-	-	102,753	592,068
Balance, end of year	4,339,076	629,751	598,751	3,202,285	342,449	2,992,040	5,535,863	592,068
Accumulated Amortization								
Balance, beginning of year	1,108,045	88,039	447,398	1,499,210	244,588	2,189,338	1,135,304	-
Amortization expense	109,773	31,662	24,823	385,941	11,775	119,682	219,380	-
Balance, end of year	1,217,818	119,701	472,221	1,885,151	256,363	2,309,020	1,354,684	-
Net book value	\$ 3,121,258	\$ 510,050	\$ 126,530	\$ 1,317,134	\$ 86,086	\$ 683,020	\$ 4,181,179	\$ 592,068
2021								
	2021						Capital assets under construction	Totals
	Buildings	Improvements	Land computers and fixtures	Vehicles and equipment	Roads infrastructure	Water systems		
Cost								
Balance, beginning of year	\$ 4,082,065	\$ 425,193	\$ 553,627	\$ 2,529,522	\$ 342,449	\$ 2,912,571	\$ 4,767,608	\$ 15,613,035
Additions	95,172	157,920	20,546	571,950	-	79,469	665,502	-
Balance, end of year	4,177,237	583,113	574,173	3,101,472	342,449	2,992,040	5,433,110	-
Accumulated Amortization								
Balance, beginning of year	1,002,775	63,725	410,264	1,195,053	232,342	2,071,246	944,866	-
Amortization expense	105,270	24,314	37,134	304,157	12,246	118,092	190,438	-
Balance, end of year	1,108,045	88,039	447,398	1,499,210	244,588	2,189,338	1,135,304	-
Net book value	\$ 3,069,192	\$ 495,074	\$ 126,775	\$ 1,602,262	\$ 97,861	\$ 802,702	\$ 4,297,806	\$ 10,491,672
2020								
	2020						Capital assets under construction	Totals
	Buildings	Improvements	Land computers and fixtures	Vehicles and equipment	Roads infrastructure	Water systems		
Cost								
Balance, beginning of year	\$ 4,082,065	\$ 425,193	\$ 553,627	\$ 2,529,522	\$ 342,449	\$ 2,912,571	\$ 4,767,608	\$ 15,613,035
Additions	95,172	157,920	20,546	571,950	-	79,469	665,502	-
Balance, end of year	4,177,237	583,113	574,173	3,101,472	342,449	2,992,040	5,433,110	-
Accumulated Amortization								
Balance, beginning of year	1,002,775	63,725	410,264	1,195,053	232,342	2,071,246	944,866	-
Amortization expense	105,270	24,314	37,134	304,157	12,246	118,092	190,438	-
Balance, end of year	1,108,045	88,039	447,398	1,499,210	244,588	2,189,338	1,135,304	-
Net book value	\$ 3,069,192	\$ 495,074	\$ 126,775	\$ 1,602,262	\$ 97,861	\$ 802,702	\$ 4,297,806	\$ 10,491,672

MAGNETAWAN FIRST NATION
Notes to the Consolidated Financial Statements
March 31, 2022

20. Employee Future Benefits

The First Nation provides a defined contribution plan for eligible employees. Members are required to contribute 5.5% of their salary. The Magnetawan First Nation contributes 5.5% to the member's contribution account. Employer contributions to the plan by the First Nation in the year amounted to \$40,993 (2021 - \$18,682). Employer contributions match the employee's contributions up to a maximum of 5.5% for current service and are expensed during the year in which the services are rendered and represent the total pension obligation of the First Nation.

21. Segmented information

The Magnetawan First Nation is a diversified government that provides a wide range of services to its members, including administration, economic development, education, health services, social services, community infrastructure, lands and resources, housing, community property, community development, and the operation of an on-reserve gas bar, convenience store and Tim Hortons. For management reporting purposes the First Nation's operations and activities are organized and reported by fund. Funds are created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

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

Band Support

The band support function is responsible for carrying out all general band related services. This includes the setting of policies and procedures to be carried out throughout the First Nation's operations as well as overseeing the financial reporting activities of each department. The band government function also includes the activities of the Chief and Council.

Economic Development

The economic development department is responsible for the identification and development of economic opportunities that will benefit the First Nation and its members. It also obtains funding for training and development opportunities to be carried out by its members and the employment of summer students.

Education

The education department is responsible for services provided to elementary and secondary schools primarily through service contracts with provincially funded school boards. The education department is also responsible for the tutoring of members and providing funding for post-secondary initiatives undertaken by students of the First Nation.

Business Operations - Tim Horton's

The Tim Hortons department reports all of the activities related to the operations of the Tim Horton's location, located in the gas bar building.

MAGNETAWAN FIRST NATION
Notes to the Consolidated Financial Statements
March 31, 2022

Library

The library department is responsible for the provision of library services to the members of the First Nation.

Health Services

The community services department is responsible for the management of health and long-term care programs as well as programs for the development and engagement of the youth of the First Nation.

Social Assistance

The social assistance department provides services for the wellbeing of members in need of non-health related support, including income support, home support and the provision of child welfare services.

Community Infrastructure

The community infrastructure department is responsible for providing public services, which include fire protection, road construction and maintenance, sanitation, water and the operation and upkeep of many of the buildings within the First Nation.

CMHC Housing

The housing segment reports the activities of the CMHC projects, including revenues, subsidies and expenses of the operation of each of the three phases currently in operation.

OFNLP

The OFNLP segment is responsible for reporting the funds received and spent under the Ontario First Nations (2008) Limited Partnership agreement. The funds must be spent in adherence with the agreement and under the following categories: community development, health, education, economic development, and cultural development.

Housing Authority

The housing segment provides rental housing to qualifying members of the First Nation.

Business Operations - Esso

The business operations department reports all of the activities related to the operations of the gas bar.

Lands and Resources

The lands and resources segment reports on the activities of the various ecological and environmental preservation programs that the First Nation operates.

21. Segmented information (Continued)

2022													Totals
	Economic Development Services		Business Operations - Tim Horton's		Community Infrastructure		CfMLP		CMHC		Business Operations - Esso		Totals
Revenue													
Indigenous Services Canada	\$ 82,752	\$ 456,967	\$ 1,103,232	\$ -	\$ 1,232,840	\$ 97,291	\$ 1,095,525	\$ -	\$ 191,476	\$ -	\$ 280,508	\$ -	
Kinoonaadendzin Education Body	-	-	-	-	-	-	-	-	-	-	-	-	
Ontario First Nations Limited Partnership	-	-	-	-	-	-	-	-	-	-	-	-	
CMHC	-	-	-	-	-	-	-	-	-	-	-	-	
Other	920,626	305,242	164,898	1,080,038	13,438	553,128	209,656	245,261	6,087	117,626	8,506,256	523,087	
Deferred revenue, beginning	54,907	208,891	304,287	-	-	575,620	73,50	385,008	25,608	174,300	115,453	263,701	
Deferred revenue, ending	(69,595)	(389,362)	(165,604)	-	-	(57,339)	(77,783)	-	-	(41,826)	(502,310)	-	
Reivable to funder	-	-	-	-	-	(122,706)	-	-	-	-	-	(122,709)	
Reivable to funder	1,637,451	274,141	1,183,035	1,080,038	13,438	1,045,708	256,558	953,011	33,787	291,925	290,711	8,076,256	
Reivable to funder	-	-	-	-	-	-	-	-	-	-	-	16,646,319	
Expenses													
Wages and benefits	\$ 34,357	91,803	758,621	47,130	12,956	465,384	29,556	173,517	540	50,004	47,781	368,722	
Materials and program costs	1,126,565	330,550	806,013	473,442	605,636	196,625	255,706	349,142	54,332	195,173	8,047,933	155,921	
Contracted services	83,999	-	-	151,742	-	-	-	-	-	-	120,649	-	
Rents and financial expenses	98,648	-	151,0459	-	-	-	-	60	-	43,359	-	218,070	
Amortization expense	103,317	116,032	49,634	-	-	68,602	-	196,367	-	171,805	508,147	80,1264	
Program transfers and administration	126,948	26,692	124,461	-	-	69,291	30,277	45,687	-	51,259	107,274	92,013	
Reivable to funder	2,779,844	554,577	1,233,669	1,102,313	13,438	1,109,963	256,558	671,311	349,442	291,127	18,703	40,343	
Reivable to funder	-	-	-	-	-	-	-	-	-	-	-	2,130	
Reivable to funder	Excess (deficiency) of revenue over expenses	\$ (742,383)	\$ (280,436)	\$ (49,634)	\$ (21,805)	\$ -	\$ (164,255)	\$ -	\$ (13,355)	\$ (7,829)	\$ (26,428)	\$ (750,088)	
Reivable to funder	Excess (deficiency) of revenue over expenses	\$ (742,383)	\$ (280,436)	\$ (49,634)	\$ (21,805)	\$ -	\$ (164,255)	\$ -	\$ (13,355)	\$ (7,829)	\$ (26,428)	\$ (1,615,705)	
2021													
	Economic Development Services		Business Operations - Tim Horton's		Community Infrastructure		CfMLP		CMHC		Business Operations - Esso		Totals
Revenue													
Indigenous Services Canada	\$ 534,060	\$ 268,469	\$ -	\$ -	\$ 323,800	\$ 72,687	\$ 689,748	\$ -	\$ -	\$ -	\$ 1,112,9	\$ -	
Kinoonaadendzin Education Body	-	-	-	-	-	-	-	-	-	-	-	-	
Ontario First Nations Limited Partnership	-	-	-	-	-	-	-	-	-	-	-	-	
CMHC	-	-	-	-	-	-	-	-	-	-	-	-	
Other	354,618	84,063	1,301,870	51,0,950	13,698	559,689	262,455	89,790	9,903	117,626	523,904	137,879	
Deferred revenue, beginning	91,466	56,122	1,169,371	(304,287)	-	280,616	82,274	(35,008)	-	143,015	97,613	603,040	
Deferred revenue, ending	(54,907)	(208,891)	(304,287)	-	-	(575,620)	(350)	-	-	(5,608)	416,345	287,511	
Reivable to funder	(20,223)	-	-	-	-	(50,917)	(34,300)	-	-	(26,372)	(263,701)	-	
Reivable to funder	887,139	199,363	1,197,583	51,0,950	13,698	1,04,568	293,492	476,804	548,472	260,641	72,005	1,086,713	
Reivable to funder	-	-	-	-	-	-	-	-	-	-	-	12,17,986	
Expenses													
Wages and benefits	434,754	73,741	286,052	316,644	13,370	391,172	36,459	161,090	84,622	43,283	66,734	347,195	
Materials and program costs	888,675	119,337	751,782	272,90	-	599,724	275,641	-	-	33,360	4,674,368	536,462	
Contracted services	20,853	-	-	240	-	-	-	-	-	59,060	-	29,011	
Rents and financial expenses	118,948	-	-	80,437	328	-	-	40,007	28	142,863	22,826	-	
Amortization expense	71,227	-	35,137	6,837	-	59,639	-	197,694	-	15,000	15,000	102,739	
Program transfers and administration	(258,309)	21,555	96,200	1,169,371	73,3,648	13,698	83,087	34,02	7,062	(24,072)	102,072	30,310	
Reivable to funder	1,282,130	215,333	-	-	-	1,133,622	34,420	611,796	84,622	241,153	137,920	5,542,62	
Reivable to funder	Excess (deficiency) of revenue over expenses	\$ (394,791)	\$ (15,270)	\$ 28,212	\$ (22,698)	\$ -	\$ (96,024)	\$ (21,610)	\$ 19,488	\$ (65,915)	\$ (303,215)	\$ 222,591	
Reivable to funder	Excess (deficiency) of revenue over expenses	\$ (394,791)	\$ (15,270)	\$ 28,212	\$ (22,698)	\$ -	\$ (96,024)	\$ (21,610)	\$ 19,488	\$ (65,915)	\$ (303,215)	\$ (307,633)	