



PRIVATE AND CONFIDENTIAL

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

July 31, 2023

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, 2023 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, 2023

MAGNETAWAN FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2023

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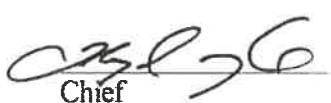
MANAGEMENT'S RESPONSIBILITY STATEMENT

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.

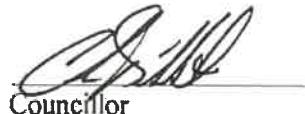
The Magnetawan First Nation's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements and reliable financial information is available 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

Qualified Opinion

We have audited the consolidated financial statements of the Magnetawan First Nation, which comprise the consolidated statement of financial position as at March 31, 2023, and the consolidated 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, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Magnetawan First Nation as at March 31, 2023, and its financial performance and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

The organization has investments in Shwe Miikaan Corp and Shwe Miikaan Limited Partnership, as described in notes 7 and 8 in the accompanying financial statements, which are accounted for using the equity method. The audited financial statements of Shwe Miikaan Corp and Shwe Miikaan Limited Partnership have not been finalized for the most recent fiscal year, and as such, we were not able to determine whether any adjustments might be necessary to revenue, excess (deficiency) of revenues over expenses, and cash flows from operations for the years ended March 31, 2023.

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 qualified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the 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.
- 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
July 28, 2023

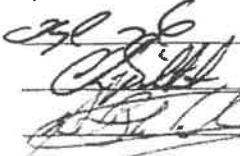
Magnetawan First Nation
Consolidated Statement of Financial Position

March 31, 2023, with comparative figures for 2022

	2023	2022
Financial assets:		
Cash	\$ 8,757,997	\$ 9,250,820
Restricted cash (note 3)	188,628	188,628
Accounts receivable (note 4)	1,680,736	1,485,676
Funds held in Ottawa Trust Fund (note 5)	8,777	8,777
Funds held in Minor's Trust (note 6)	146,104	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	11,042,638	11,343,827
Financial liabilities:		
Accounts payable and accrued liabilities (note 9)	9,473,097	8,822,792
Minor's Trust (note 6)	146,104	149,530
Deferred rent	6,000	
Deferred contributions (note 10)	4,459,201	3,812,834
Long-term debt (note 11)	2,363,317	2,454,316
Total financial liabilities	16,447,719	15,239,472
Net financial debt	(5,405,081)	(3,895,645)
Non-financial assets (note 12):		
Tangible capital assets (note 19)	11,479,796	10,617,325
Inventories - gas and store merchandise	336,624	364,871
Prepaid expenses and deposits	346,760	255,858
Total non-financial assets	12,163,180	11,238,054
Accumulated surplus (note 13)	\$ 6,768,099	\$ 7,342,409
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, 2023, with comparative figures for 2022

	2023	2022
Revenues:		
Deferred contributions, beginning of year	\$ 3,812,834	\$ 1,825,372
Indigenous Services Canada (note 18)	2,797,269	4,182,089
Other	17,267,650	14,581,401
Repayable to funders	(13,713)	(129,709)
Deferred contributions, end of year	<u>(4,459,201)</u>	<u>(3,812,834)</u>
	19,404,839	16,646,319
Expenses (by program area):		
Band Support	2,291,459	2,379,834
Economic Development	276,141	554,577
Education	1,214,483	1,232,669
Business Operations - Tim Hortons	1,101,648	1,102,813
Library	13,288	13,438
Health Services	1,644,525	1,209,963
Social Assistance	391,985	256,458
Community Infrastructure (Public Works)	823,787	671,331
Ontario First Nation Limited Partnership	311,005	349,142
Housing	501,540	616,894
Business Operations - Esso	10,062,790	9,256,444
Lands and Resources	667,960	601,131
Special Projects	688,538	21,330
Total expenses	<u>19,989,149</u>	<u>18,266,024</u>
Deficiency of revenues over expenses for the year	(584,310)	(1,619,705)
Accumulated surplus, beginning of year	7,342,409	8,962,114
Accumulated surplus, end of year	\$ 6,758,099	\$ 7,342,409

See accompanying notes to consolidated financial statements

Magnetawan First Nation

Consolidated Statement of Changes in Net Debt

Year ended March 31, 2023 with comparative figures for 2022

	2023	2022
Deficiency of revenues over expenses for the year	\$ (584,310)	\$ (1,619,705)
Amortization of tangible capital assets	910,032	903,036
Loss on disposal of tangible capital assets	7,264	-
Proceeds on disposal of tangible capital assets	2,501	-
Acquisition of tangible capital assets	(1,782,268)	(1,028,689)
Change in inventories - gas and store merchandise	28,247	(187,068)
Change in prepaid expenses and deposits	(90,902)	(91,724)
Increase in net debt for the year	(1,509,436)	(2,024,150)
Net debt, beginning of year	(3,895,645)	(1,871,495)
Net debt, end of year	\$ (5,405,081)	\$ (3,895,645)

See accompanying notes to consolidated financial statements

Magnetawan First Nation

Consolidated Statement of Cash Flows

Year ended March 31, 2023 with comparative figures for 2022

	2023	2022
Cash flows from operating activities:		
Deficiency of revenues over expenses for the year	\$ (584,310)	\$ (1,619,705)
Non-cash charges to operations:		
Amortization of tangible capital assets	910,032	903,036
Loss on disposal of tangible capital assets	7,264	-
	332,986	(716,669)
Change in financial assets and liabilities relating to operations:		
Accounts receivable	(195,060)	(971,101)
Inventories - gas and store merchandise	28,247	(187,068)
Prepaid expenses and deposits	(90,902)	(91,724)
Accounts payable and accrued liabilities	650,305	1,988,422
Deferred rent	6,000	-
Deferred contributions	646,367	1,987,462
Net change in cash from operating activities	1,377,943	2,009,322
Cash flows from capital activities:		
Proceeds on disposal of tangible capital assets	2,501	-
Cash used to acquire tangible capital assets	(1,782,268)	(1,028,689)
Net change in cash from capital activities	(1,779,767)	(1,020,868)
Cash flows from financing activities:		
Repayment of long-term debt	(90,999)	(99,217)
Net change in cash for the year	(492,823)	881,416
Cash, beginning of year	9,448,225	8,566,809
Cash, end of year	\$ 8,955,402	\$ 9,448,225
Cash consists of:		
Cash	\$ 8,757,997	\$ 9,250,820
Restricted Cash - Robinson Huron Treaty Trust (note 3)	188,628	188,628
Funds held in Ottawa Trust Fund (note 5)	8,777	8,777
	\$ 8,955,402	\$ 9,448,225

See accompanying notes to consolidated financial statements

MAGNETAWAN FIRST NATION
Notes to the Consolidated Financial Statements
March 31, 2023

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 infrastructure	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, 2023

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.

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, and 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, 2023

g) Investments

The First Nation accounts for its investments in Shwe Miikaan Corp and Shwe Miikaan Limited Partnership using the equity method of accounting.

h) Inventory

Inventory is comprised of gas and store merchandise used in business operations. Inventory is measured at the lower of cost and net realizable value, and cost is determined using the average costing method for gas, and the first-in, first out method for store merchandise.

2. Adoption of New Accounting Standard – Asset Retirement Obligations

Effective April 1, 2022, the First Nation adopted the requirements of the CPA Canada Public Sector Accounting Handbook section 3280 – Asset Retirement Obligations. This section establishes standards on how to recognize, measure and report a liability associated with future obligations required to retire certain tangible capital assets at the end of their useful lives.

These are the First Nation's first consolidated financial statements prepared after the adoption of this new accounting standard and it has been applied retrospectively.

The adoption of section 3280 – Asset Retirement Obligations has had no impact on the assets, liabilities and net assets of the First Nation, and accordingly, no adjustments have been recorded in the consolidated statements of financial position, operations and accumulated surplus, changes in net debt, and cash flows presented in these consolidated financial statements for comparative purposes.

3. Restricted Cash

Of the \$188,628 in 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

	2023	2022
Indigenous Services Canada	\$ 427,607	\$ 628,571
Waubetek Business Development Corporation	171,893	100,604
Dana Hospitality	162,114	54,393
Ontario Ministry of Transportation	118,000	118,000
Union of Ontario Indians	115,966	130,696
Kinoomaadziwin Education Body	40,100	-
Canada Mortgage and Housing Corporation	9,984	9,802
Other	748,900	507,097
Allowance for doubtful accounts	(113,828)	(63,487)
	\$ 1,680,736	\$ 1,485,676

MAGNETAWAN FIRST NATION
Notes to the Consolidated Financial Statements
March 31, 2023

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, 2023, \$146,104 is held in the Minor's Trust.

7. 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 reflects its interest in SMC as of March 31, 2022. This figure does not reflect activities subsequent to this date.

The investment in SMC has not been adjusted since the date noted above as the SMC March 31, 2023 financial statements have not been finalized as of the Magnetawan First Nation's audited consolidated financial statements audit report date.

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”).

	2023	2022
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

MAGNETAWAN FIRST NATION
Notes to the Consolidated Financial Statements
March 31, 2023

8. Investment in Shwe Miikaan Limited Partnership (“SMLP”)

The First Nation’s investment in SMLP represents a 33.333% ownership interest. The First Nation’s share of the accumulated investment loss reflects its interest in SMLP as of December 31, 2021. This figure does not reflect activities subsequent to this date.

The investment in SMLP has not been adjusted since the date noted above as the SMLP December 31, 2022 financial statements have not been finalized as of the Magnetawan First Nation’s audited consolidated financial statements audit report date.

The investment in SMLP is accounted for using the equity method.

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

	2023	2022
Investment in SMLP	\$ 326,801	\$ 326,801
Accumulated share of net losses of the entity	(66,406)	(66,406)
	<u>\$ 260,395</u>	<u>\$ 260,395</u>

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 \$7,903,839 (2022 - \$7,192,903), 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 estimated using the CRA prescribed interest rate. Interest and penalties for the current year total \$507,075 (2022 - \$359,864).

10. Deferred contributions

Deferred contributions consist of the following:

	2023	2022
Indigenous Services Canada	\$ 2,039,662	\$ 2,543,094
Union of Ontario Indians	1,262,243	252,928
Kinoomaadziwan Education Body	728,554	320,683
Other	428,742	696,129
	<u>\$4,459,201</u>	<u>\$3,812,834</u>

MAGNETAWAN FIRST NATION
Notes to the Consolidated Financial Statements
March 31, 2023

11. Long-term debt

	2023	2022
Canada Mortgage and Housing Corporation mortgage. Repayable by monthly blended payments of \$1,292 including interest at 4.54% per annum, maturing May 2023. Insured by Canada Mortgage and Housing Corporation. Secured by a guarantee from Indigenous Services Canada.	\$ 60,920	\$ 73,949
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.	186,519	196,045
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.	1,112,102	1,154,147
Canada Mortgage and Housing Corporation mortgage. Repayable by monthly blended payments of \$1,747 including interest at 1.83% per annum, maturing December 2024. Insured by Canada Mortgage and Housing Corporation. Secured by a guarantee from Indigenous Services Canada.	123,750	142,276
Canada Mortgage and Housing Corporation mortgage. Repayable by monthly blended payments of \$1,293 including interest at 1.73% per annum, maturing February 2025. Insured by Canada Mortgage and Housing Corporation. Secured by a guarantee from Indigenous Services Canada.	162,841	175,436
Subtotal, carried forward	\$ 1,646,132	\$ 1,741,853

Continued on next page

MAGNETAWAN FIRST NATION
Notes to the Consolidated Financial Statements
March 31, 2023

11. Long-term debt - continued

	2023	2022
Subtotal, carried forward	\$ 1,646,132	\$ 1,741,853
Canada Mortgage and Housing Corporation mortgage. Repayable by monthly blended payments of \$1,251 including interest at 3.06% per annum, maturing May 2027. Insured by Canada Mortgage and Housing Corporation. Secured by a guarantee from Indigenous Services Canada.	217,772	226,293
	1,863,904	1,968,146
First advance on CMHC mortgage payable terms yet to be established	499,413	486,169
	<u>\$ 2,363,317</u>	<u>\$ 2,454,315</u>

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

2024	\$ 107,673
2025	109,743
2026	111,853
2027	114,005
2028	106,382
Subsequent years	<u>1,813,661</u>
	<u><u>\$ 2,363,317</u></u>

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, 2023, the total undisbursed mortgage funds amount to \$518,424 (2022 - \$518,424).

The total interest on long-term debt paid in the fiscal year was \$48,829 (2022 - \$43,950).

12. Non-financial assets

Tangible capital assets, inventories, and prepaid expenses and deposits 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, 2023

13. Accumulated Surplus

	2023	2022
Invested in tangible assets	\$ 8,277,745	\$ 7,301,265
Operations	(6,665,171)	(5,336,856)
Robinson Huron Treaty Litigation Fund reserves	(270,500)	(270,500)
Investment in business enterprise	260,395	260,395
Restricted revenue trust	8,777	8,777
Restricted Ontario First Nations Limited Partnership	2,756,721	2,548,605
CMHC replacement reserve	155,154	132,589
Committed reserves	2,031,371	2,031,371
Own Source Revenue – Land Lease	203,607	666,763
Total	\$ 6,758,099	\$ 7,342,409

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, 2023, its proportional outstanding loan balance as part of the Trust is \$174,000 (2022 - \$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:

In the fiscal year the First Nation defended legal actions brought by former employees alleging wrongful dismissal with damages claimed in the aggregate amount of \$275,000. One of the claims has been settled in the fiscal year for \$7,500, and the remaining two claims have been settled subsequent to year-end for a total of \$33,000. The aggregate settlement amount of \$40,500 has been accrued in these consolidated financial statements and is included in accounts payable and accrued liabilities. There are no further claims to which the organization is aware.

MAGNETAWAN FIRST NATION
Notes to the Consolidated Financial Statements
March 31, 2023

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 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) 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 monthly instalments.

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16. Economic dependence

The First Nation has funding arrangements with Indigenous Services Canada, Union of Ontario Indians, and Kinoomaadziwin Education Body which provide funds to administer operations and provide services to its members in accordance with the terms of the funding arrangements.

As these funding arrangements provide the First Nation with its major sources of revenue, its ability to continue viable operations are dependent upon maintaining these funding arrangements.

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 relates 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 \$1,680,736 (2022 - \$1,485,676) The First Nation manages this exposure through management's on-going monitoring of accounts receivable balances and collections. An allowance for uncollectible accounts is recorded 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 \$9,473,097 (2022 - \$8,822,792). 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.

Interest rate risk

Interest rate risk is the risk that the First Nation has interest rate exposure on its long-term debt instruments which are subject to renewal at potentially higher interest rates. This exposure may have an effect on its earnings in future periods. The First Nation reduces its exposure to interest rate risk by regularly monitoring published bank prime interest rates. In the opinion of management the interest rate risk exposure to the First Nation is low and is not material.

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18. Contribution arrangement funding provided by Indigenous Services Canada

\$2,797,269 in funding was provided to the First Nation by Indigenous Services Canada. In the current year \$88,461 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	\$ 70,051	\$ 70,051	\$ -
Health Services	Medical Transportation - Administration	18,410	18,410	-

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19. Tangible capital assets

2023										
	Buildings	Land improvements	Furniture, computers and fixtures	Vehicles and equipment	Roads infrastructure	Water systems	Housing	Capital assets under construction		Totals
Cost										
Balance, beginning of year	\$ 4,339,076	\$ 629,751	\$ 598,751	\$ 3,202,285	\$ 342,449	\$ 2,992,040	\$ 5,535,863	\$ 592,068	\$ 18,232,283	
Additions	121,442	16,821	-	225,317	153,221	-	-	1,265,467	1,782,268	
Disposals	-	-	-	(32,549)	-	-	-	-	(32,549)	
Balance, end of year	4,460,518	646,572	598,751	3,395,053	495,670	2,992,040	5,535,863	1,857,535	19,982,002	
Accumulated Amortization										
Balance, beginning of year	1,217,818	119,701	472,221	1,885,151	256,363	2,309,020	1,354,684	-	7,614,958	
Disposals	-	-	-	(22,784)	-	-	-	-	(22,784)	
Amortization expense	111,190	31,124	24,823	385,929	17,904	119,682	219,380	-	910,032	
Balance, end of year	1,329,008	150,825	497,044	2,248,296	274,267	2,428,702	1,574,064	-	8,502,206	
Net book value	\$ 3,131,510	\$ 495,747	\$ 101,707	\$ 1,146,757	\$ 221,403	\$ 563,338	\$ 3,961,799	\$ 1,857,535	\$ 11,479,796	
2022										
	Buildings	Land improvements	Furniture, computers and fixtures	Vehicles and equipment	Roads infrastructure	Water systems	Housing	Capital assets under constructions		Totals
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	1,028,689	
Balance, end of year	4,339,076	629,751	598,751	3,202,285	342,449	2,992,040	5,535,863	592,068	18,232,283	
Accumulated Amortization										
Balance, beginning of year	1,108,045	88,039	447,398	1,499,210	244,588	2,189,338	1,135,304	-	6,711,922	
Amortization expense	109,773	31,662	24,823	385,941	11,775	119,682	219,380	-	903,036	
Balance, end of year	1,217,818	119,701	472,221	1,885,151	256,363	2,309,020	1,354,684	-	7,614,958	
Net book value	\$ 3,121,258	\$ 510,050	\$ 126,530	\$ 1,317,134	\$ 86,086	\$ 683,020	\$ 4,181,179	\$ 592,068	\$ 10,617,325	

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20. Employee Future Benefits

The First Nation provides a defined contribution pension 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 \$46,366 (2022 - \$40,993). 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 garage building.

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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 (Public Works)

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.

Ontario First Nation Limited Partnership

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.

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Special Projects

The special projects segment reports on the activities of the land lease agreement in place with Henvey Inlet First Nation.

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21. Segmented information (Continued)

	2023															
	Band Support	Economic Development Services	Business Operations - Tim Horton's	Library	Health Services	Social Assistance	Community Infrastructure	OFNLP	CMHC	Housing Authority	Business Operations - Esso	Lands and Resources	Special Projects	Totals		
Revenue																
Indigenous Services Canada	\$ 669,962	\$ 42,000	\$ 10,000	\$ -	\$ 644,970	\$ 124,650	\$ 728,635	\$ -	\$ 240,766	\$ -	\$ 336,286	\$ -	\$ 2,797,269			
Kinoomadzivin Education Body	-	-	1,414,382	-	-	-	-	-	-	-	-	-	-	1,414,382		
Union of Ontario Indians	1,642,251	-	6,222	-	-	-	-	-	-	-	-	-	-	1,648,473		
Ontario First Nations Limited Partnership	-	-	-	-	-	-	-	472,089	-	-	-	-	-	472,089		
CMHC	-	-	-	-	-	-	-	-	-	-	-	-	-	119,632		
Other	767,648	282,935	162,450	1,127,706	13,288	\$ 151,530	356,363	160,690	47,032	175,722	120,511	278,806	225,382	13,613,074		
Deferred revenue, beginning	165,604	696,959	389,382	-	-	1,186,131	57,839	772,783	-	-	41,826	-	502,310	3,812,834		
Deferred revenue, ending	(1,239,405)	(693,460)	(818,369)	-	-	(786,701)	(146,867)	(298,402)	-	-	-	(475,997)	-	(4,459,201)		
Receivable to funder	-	-	-	-	-	-	-	-	-	-	-	(13,713)	-	(13,713)		
	2,006,060	328,434	1,164,067	1,127,706	13,288	1,549,780	391,985	1,363,706	519,121	295,354	403,103	9,389,161	627,692	225,382	19,403,839	
Expenses																
Wages and benefits	935,381	54,095	241,902	476,360	12,683	431,084	61,439	186,132	-	47,798	478,802	322,634	-	3,248,310		
Materials and program costs	986,472	72,885	762,859	472,618	605	1,054,891	282,445	410,880	311,005	24,438	117,795	8,800,346	213,549	666,000	14,206,788	
Contracted services	4,018	-	-	-	-	-	-	-	-	-	-	111,154	-	-	111,172	
Rents and financial expenses	26,400	-	-	152,670	-	-	-	-	-	-	-	559,620	-	-	783,519	
Amortization expense	103,581	113,057	50,416	-	-	65,392	-	206,649	-	171,806	53,259	112,868	33,004	-	610,032	
Program transfers and administration	235,607	36,104	159,306	-	-	93,158	48,101	20,126	-	29,535	8,080	-	68,773	22,538	721,128	
	2,291,459	276,141	1,214,483	1,101,648	13,288	1,644,525	391,985	823,787	111,005	274,608	226,932	10,062,790	667,960	688,538	19,989,149	
Excess (deficiency) of revenue over expenses	\$ (285,399)	\$ 52,293	\$ (50,416)	\$ 26,058	\$ -	\$ (94,743)	\$ -	\$ 330,919	\$ 208,116	\$ 20,746	\$ 176,171	\$ (671,619)	\$ (40,768)	\$ (40,156)	\$ (584,310)	
	2022															
	Band Support	Economic Development Services	Business Operations - Tim Horton's	Library	Health Services	Social Assistance	Community Infrastructure	OFNLP	CMHC	Housing Authority	Business Operations - Esso	Lands and Resources	Special Projects	Totals		
Revenue																
Indigenous Services Canada	\$ 827,522	\$ 436,967	\$ -	\$ -	\$ 1,232,800	\$ 97,291	\$ 1,095,525	\$ -	\$ 191,476	\$ -	\$ 280,508	\$ -	\$ 4,182,089			
Kinoomadzivin Education Body	-	-	1,103,232	-	-	-	-	-	-	-	-	-	-	1,103,232		
Ontario First Nations Limited Partnership	-	-	-	-	-	-	-	-	329,700	-	-	-	-	329,700		
CMHC	-	-	-	-	-	-	-	-	-	-	-	-	-	117,626		
Other	920,626	305,242	164,898	1,080,008	13,438	553,128	209,656	245,261	6,087	174,300	115,453	8,306,336	523,087	213,303	13,030,843	
Deferred revenue, beginning	54,907	208,891	304,287	-	-	575,620	7,350	383,008	-	-	25,608	-	263,701	-	1,825,372	
Deferred revenue, ending	(165,604)	(696,959)	(389,382)	-	-	(1,186,131)	(57,839)	(772,783)	-	-	(41,826)	-	(502,310)	-	(3,812,834)	
Receivable to funder	-	-	-	-	-	(129,709)	-	-	-	-	-	-	-	-	(129,709)	
	1,637,451	274,141	1,183,035	1,080,008	13,438	1,045,708	256,458	953,011	335,787	291,926	290,711	8,506,356	564,986	213,303	16,646,319	
Expenses																
Wages and benefits	834,357	91,803	258,621	471,390	12,996	465,384	29,556	173,517	-	540	50,004	471,781	368,722	-	3,228,671	
Materials and program costs	1,126,563	320,050	800,013	473,542	442	606,686	196,625	255,700	349,142	54,332	195,173	8,047,993	155,921	-	12,582,184	
Contracted services	89,999	-	-	7,422	-	-	-	-	-	-	-	120,649	-	-	218,070	
Rents and financial expenses	98,648	-	-	150,459	-	-	-	-	-	60	-	43,950	-	508,147	-	811,264
Amortization expense	103,317	116,032	49,634	-	-	68,602	-	196,367	-	171,806	53,259	107,874	36,145	-	903,036	
Program transfers and administration	126,948	26,692	124,401	-	-	65,291	30,277	45,687	-	29,127	18,703	-	40,343	21,330	332,799	
	2,379,834	554,577	1,232,669	1,102,813	13,438	1,209,963	256,458	671,331	349,142	299,755	317,139	9,236,444	601,131	21,330	18,266,024	
Excess (deficiency) of revenue over expenses	\$ (742,383)	\$ (280,436)	\$ (49,634)	\$ (22,805)	\$ -	\$ (164,255)	\$ -	\$ 281,680	\$ (13,355)	\$ (7,829)	\$ (26,428)	\$ (750,088)	\$ (36,145)	\$ 191,973	\$ (1,619,705)	

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22. Budget information

The First Nation does not prepare a consolidated budget, and certain program budgets have not been prepared in a format consistent with the accompanying consolidated financial statements; accordingly, budget information has not been presented in these consolidated financial statements as it would not represent meaningful financial information.