

Consolidated financial statements of
MAGNETAWAN FIRST NATION
Year ended March 31, 2024

MAGNETAWAN FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2024

INDEX

| |
|--|
| MANAGEMENT'S RESPONSIBILITY STATEMENT |
| INDEPENDENT AUDITORS' REPORT TO THE MEMBERS |
| CONSOLIDATED STATEMENT OF FINANCIAL POSITION |
| CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS |
| CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS (DEBT) |
| CONSOLIDATED STATEMENT OF CASH FLOWS |
| NOTES TO CONSOLIDATED FINANCIAL STATEMENTS |

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, 2024, and the consolidated statements of operations and accumulated surplus, changes in net assets (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, 2024, 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 consolidated financial statements, which are accounted for using the modified 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 year ended March 31, 2024.

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 29, 2024

Magnetawan First Nation

Consolidated Statement of Financial Position

March 31, 2024, with comparative figures for 2023

| | 2024 | 2023 |
|---|-----------------------|---------------------|
| Financial assets: | | |
| Cash | \$ 18,250,813 | \$ 8,757,995 |
| Restricted cash (note 2) | 188,473 | 188,628 |
| Inventories - gas and store merchandise | 394,519 | 336,624 |
| Accounts receivable (note 3) | 901,735 | 1,680,736 |
| Robinson Huron Treaty Settlement receivable (note 4) | 220,866,577 | - |
| Funds held in Ottawa Trust Fund (note 5) | - | 8,777 |
| Funds held in Minor's Trust (note 6) | 132,104 | 146,104 |
| Investment in Shwe Miikaan Corp (note 7) | 1 | 1 |
| Investment in Shwe Miikaan Limited Partnership (note 8) | 789,603 | 260,395 |
| Investment in Ontario First Nation Sovereign Wealth L.P. (note 9) | 1 | 1 |
| Investment in OFN Asset Management GP Corp. (note 9) | 1 | 1 |
| Total financial assets | 241,523,827 | 11,379,262 |
| Financial liabilities: | | |
| Accounts payable and accrued liabilities (note 10) | 10,063,448 | 9,473,097 |
| Minor's Trust (note 6) | 132,104 | 146,104 |
| Deferred rent | 17,367 | 6,000 |
| Deferred contributions (note 11) | 14,211,581 | 4,459,201 |
| Long-term debt (note 12) | 2,288,029 | 2,363,317 |
| Total financial liabilities | 26,712,529 | 16,447,719 |
| Net financial assets (debt) | 214,811,298 | (5,068,457) |
| Non-financial assets: (note 13) | | |
| Tangible capital assets (note 19) | 11,959,619 | 11,479,796 |
| Prepaid expenses and deposits | 248,746 | 346,760 |
| Total non-financial assets | 12,208,365 | 11,826,556 |
| Accumulated surplus (note 14) | \$ 227,019,663 | \$ 6,758,099 |

Contingent liabilities (note 15)

Commitments (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, 2024, with comparative figures for 2023

| | 2024 | 2023 |
|--|----------------|--------------|
| Revenues: | | |
| Deferred contributions, beginning of year | \$ 4,459,201 | \$ 3,812,834 |
| Indigenous Services Canada (note 18) | 11,381,224 | 2,797,269 |
| Other | 16,563,135 | 17,267,650 |
| Repayable to funders | (13,215) | (13,713) |
| Deferred contributions, end of year | (14,211,581) | (4,459,201) |
| | 18,178,764 | 19,404,839 |
| Expenses (by program area): | | |
| Band Support | 2,653,968 | 2,539,280 |
| Economic Development | 292,890 | 276,141 |
| Education | 1,247,365 | 1,214,483 |
| Business Operations - Tim Hortons | 1,161,439 | 1,101,648 |
| Library | 2,538 | 13,288 |
| Health Services | 1,641,053 | 1,396,704 |
| Social Assistance | 450,111 | 391,985 |
| Community Infrastructure (Public Works) | 960,083 | 823,787 |
| Ontario First Nation Limited Partnership | 772,426 | 311,005 |
| Housing | 851,366 | 501,540 |
| Business Operations - Esso | 7,529,466 | 10,062,790 |
| Lands and Resources | 736,719 | 660,696 |
| Special Projects | 46,283 | 688,538 |
| Claims and Litigation | 520,440 | - |
| Total expenses | 18,866,147 | 19,981,885 |
| Deficiency of revenues over expenses from general operations | (687,383) | (577,046) |
| Gain (loss) on disposal of tangible capital assets | 174,162 | (7,264) |
| Robinson Huron Treaty past compensation settlement (note 4) | 220,245,577 | - |
| Share of net earnings of investment in Shwe Miikaan Limited Partnership (note 8) | 529,208 | - |
| Excess (deficiency) of revenues over expenses for the year | 220,261,564 | (584,310) |
| Accumulated surplus, beginning of year | 6,758,099 | 7,342,409 |
| Accumulated surplus, end of year | \$ 227,019,663 | \$ 6,758,099 |

See accompanying notes to consolidated financial statements

Magnetawan First Nation

Consolidated Statement of Changes in Net Assets (Debt)

Year ended March 31, 2024 with comparative figures for 2023

| | 2024 | 2023 |
|---|----------------|----------------|
| Excess (deficiency) of revenues over expenses for the year | \$ 220,261,564 | \$ (584,310) |
| Amortization of tangible capital assets | 892,330 | 910,032 |
| (Gain) loss on disposal of tangible capital assets | (174,162) | 7,264 |
| Proceeds on disposal of tangible capital assets | 226,819 | 2,501 |
| Acquisition of tangible capital assets | (1,424,810) | (1,782,268) |
| Change in prepaid expenses and deposits | 98,014 | (90,902) |
| Increase in net assets (debt) for the year | 219,879,755 | (1,537,683) |
| Net assets (debt), beginning of year | (5,068,457) | (3,530,774) |
| Net assets (debt), end of year | \$ 214,811,298 | \$ (5,068,457) |

See accompanying notes to consolidated financial statements

Magnetawan First Nation

Consolidated Statement of Cash Flows

Year ended March 31, 2024 with comparative figures for 2023

| | 2024 | 2023 |
|---|----------------------|---------------------|
| Cash flows from operating activities: | | |
| Excess (deficiency) of revenues over expenses for the year | \$ 220,261,564 | \$ (584,310) |
| Non-cash charges to operations: | | |
| Amortization of tangible capital assets | 892,330 | 910,032 |
| Share of net earnings of investment in Shwe Miikaan Limited Partnership | (529,208) | - |
| (Gain) loss on disposal of tangible capital assets | (174,162) | 7,264 |
| | 220,450,524 | 332,986 |
| Change in financial assets and liabilities relating to operations: | | |
| Accounts receivable | 779,001 | (195,060) |
| Robinson Huron Treaty Settlement receivable | (220,866,577) | - |
| Inventories - gas and store merchandise | (57,895) | 28,247 |
| Prepaid expenses and deposits | 98,014 | (90,902) |
| Accounts payable and accrued liabilities | 590,351 | 650,303 |
| Deferred rent | 11,367 | 6,000 |
| Deferred contributions | 9,752,380 | 646,367 |
| Net change in cash from operating activities | 10,757,165 | 1,377,941 |
| Cash flows from capital activities: | | |
| Proceeds on disposal of tangible capital assets | 226,819 | 2,501 |
| Cash used to acquire tangible capital assets | (1,424,810) | (1,782,268) |
| Net change in cash from capital activities | (1,197,991) | (1,779,767) |
| Cash flows from financing activities: | | |
| Issuance of long-term debt | 30,107 | - |
| Repayment of long-term debt | (105,395) | (90,999) |
| Net change in cash from financing activities | (75,288) | (90,999) |
| Net change in cash for the year | 9,483,886 | (492,825) |
| Cash, beginning of year | 8,955,400 | 9,448,225 |
| Cash, end of year | \$ 18,439,286 | \$ 8,955,400 |
| Cash consists of: | | |
| Cash | \$ 18,250,813 | \$ 8,757,995 |
| Restricted Cash (note 2) | 188,473 | 188,628 |
| Funds held in Ottawa Trust Fund (note 5) | - | 8,777 |
| | \$ 18,439,286 | \$ 8,955,400 |

See accompanying notes to consolidated financial statements

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 |

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 through an allowance for doubtful accounts, Robinson Huron Treaty Settlement receivable, useful lives of tangible capital assets, the accrual of penalties and interest on unpaid HST balances, 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, Robinson Huron Treaty (RHT) settlement 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.

1. Significant accounting policies, continued

g) Investments

The First Nation accounts for its investments in Shwe Miikaan Corp and Shwe Miikaan Limited Partnership, two significantly influenced entities, using the equity method of accounting. The First Nation accounts for its investments in Ontario First Nations Sovereign Wealth L.P. and OFN Asset Management GP Corp., two entities not subject to significant influence, under the cost method.

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.

2. Restricted Cash

Of the \$188,473 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 15(a).

3. Accounts Receivable

| | 2024 | 2023 |
|--|------------|--------------|
| Indigenous Services Canada | \$ 260,383 | \$ 427,607 |
| Union of Ontario Indians | 196,384 | 115,966 |
| Ontario Ministry of Transportation | 118,000 | 118,000 |
| Dexterra Hospitality (formerly Dana Hospitality) | 28,566 | 162,114 |
| Kinoomaadziwin Education Body | 26,540 | 40,100 |
| Canada Mortgage and Housing Corporation | 9,984 | 9,984 |
| Waubetek Business Development Corporation | - | 171,893 |
| Other | 512,206 | 748,900 |
| Allowance for doubtful accounts | (250,328) | (113,828) |
| | \$ 901,735 | \$ 1,680,736 |

4. Robinson Huron Treaty Settlement Receivable

During the year, the First Nation, as a member of the Robinson Huron Treaty Litigation Fund (“RHTLF”), entered into a settlement agreement with the Federal Government and Ontario Provincial Government for past compensation arising from obligations to the First Nations from the Robinson Huron Treaty of 1850. The settlement arises from claims put forward by the First Nations in 2014, that the Crown breached its obligations under the treaty. Specifically, the Crown’s failure to augment the perpetual six-hundred-pound annuity to be paid to each nation, representing a collective amount and a share of the resource revenues of the territory that the Crown could pay without incurring a loss.

The First Nation’s share in the settlement is governed by the Compensation Distribution Agreement (“CDA”), an agreement entered into by the 21 First Nations of the RHTLF prior to commencing legal action, to calculate and determine the share of the compensation each First Nation would receive upon settlement or judgement. As a result, a receivable of \$220,866,577 has been recorded in these financial statements.

Subsequent to the year end, the First Nation committed to the payment of a per capita distribution to each of its members and the balance of funds would be contributed to a trust for the benefit of the First Nation and the members.

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, 2024, \$132,104 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, 2023. 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, 2024 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 modified 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”).

| | 2024 | 2023 |
|---|----------|----------|
| Investment in SMC | \$ 1 | \$ 1 |
| Accumulated share of net losses of the entity | (53,258) | (51,072) |
| Unfunded deficit | 53,258 | 51,072 |
| | \$ 1 | \$ 1 |

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, 2022. 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, 2023 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 modified equity method.

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

| | 2024 | 2023 |
|--|------------|------------|
| Investment in SMLP | \$ 326,801 | \$ 326,801 |
| Accumulated share of net earnings (loss) of the entity | 462,802 | (66,406) |
| | \$ 789,603 | \$ 260,395 |

9. Investment in Ontario First Nations Sovereign Wealth L.P. and OFN Asset Management GP Corp.

The First Nation has invested in 1 share of the Ontario First Nations Asset Management Corporation, and a 0.3635% interest in the Ontario First Nations Sovereign Wealth Limited Partnership. The Partnership and Corporation control a partnership that owns shares of Hydro One and hold capital wealth funds. These investments have been reflected in the accompanying consolidated financial statements using the cost method at \$1 respectively. During the year, there were no other contributions made to the Partnership. The First Nation did not receive any distributions from the Partnership during the year.

10. 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 \$8,467,016 (2023 - \$7,903,839), 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 \$534,161 (2023 - \$507,075).

11. Deferred contributions

Deferred contributions consist of the following:

| | 2024 | 2023 |
|-------------------------------|---------------------|--------------------|
| Indigenous Services Canada | \$ 9,857,738 | \$ 2,025,119 |
| Union of Ontario Indians | 2,796,650 | 1,262,243 |
| Kinoomaadziwan Education Body | 1,038,877 | 743,097 |
| Other | 518,316 | 428,742 |
| | \$14,211,581 | \$4,459,201 |

12. Long-term debt

| | 2024 | 2023 |
|--|--------------|--------------|
| Canada Mortgage and Housing Corporation mortgage. Repayable by monthly blended payments of \$1,472 including interest at 5.59% per annum, renewing June 2024. Insured by Canada Mortgage and Housing Corporation. Secured by a guarantee from Indigenous Services Canada. | 177,265 | 186,519 |
| Canada Mortgage and Housing Corporation mortgage. Repayable by monthly blended payments of \$5,303 including interest at 1.91% per annum, renewing June 2024. Insured by Canada Mortgage and Housing Corporation. Secured by a guarantee from Indigenous Services Canada. | 1,069,296 | 1,112,102 |
| Canada Mortgage and Housing Corporation mortgage. Repayable by monthly blended payments of \$1,747 including interest at 1.83% per annum, renewing December 2024. Insured by Canada Mortgage and Housing Corporation. Secured by a guarantee from Indigenous Services Canada. | 104,897 | 123,750 |
| Canada Mortgage and Housing Corporation mortgage. Repayable by monthly blended payments of \$1,293 including interest at 1.73% per annum, renewing February 2025. Insured by Canada Mortgage and Housing Corporation. Secured by a guarantee from Indigenous Services Canada. | 150,034 | 162,841 |
| Canada Mortgage and Housing Corporation mortgage. Repayable by monthly blended payments of \$1,251 including interest at 3.06% per annum, renewing May 2027. Insured by Canada Mortgage and Housing Corporation. Secured by a guarantee from Indigenous Services Canada. | 209,285 | 217,772 |
| Subtotal, carried forward | \$ 1,710,777 | \$ 1,802,984 |

Continued on next page

12. Long-term debt - continued

| | 2024 | 2023 |
|--|--------------|--------------|
| Subtotal, carried forward | \$ 1,710,777 | \$ 1,802,984 |
| Canada Mortgage and Housing Corporation mortgage. Repayable by monthly blended payments of \$1,269 including interest at 3.68% per annum, maturing July 2027. Insured by Canada Mortgage and Housing Corporation. Secured by a guarantee from Indigenous Services Canada. | \$ 47,740 | \$ 60,920 |
| | 1,758,517 | 1,863,904 |
| Advances on CMHC mortgage payable terms yet to be established | 529,512 | 499,413 |
| | \$ 2,288,029 | \$ 2,363,317 |

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

| | |
|------------------|---------------------|
| 2025 | \$ 109,743 |
| 2026 | 111,853 |
| 2027 | 114,005 |
| 2028 | 106,382 |
| 2029 | 104,013 |
| Subsequent years | 1,742,033 |
| | <u>\$ 2,288,029</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, 2024, the total undisbursed mortgage funds amount to \$475,187 (2023 - \$518,424).

The total interest on long-term debt paid in the fiscal year was \$70,093 (2023 - \$48,829).

13. Non-financial assets

Tangible capital assets 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.

14. Accumulated Surplus

| | 2024 | 2023 |
|--|----------------|--------------|
| Robinson Huron Treaty past compensation settlement | \$ 220,245,577 | \$ - |
| Invested in tangible capital assets | 9,671,590 | 8,277,745 |
| Operations | (9,045,362) | (6,665,171) |
| Robinson Huron Treaty Litigation Fund reserves | 21,641 | (270,500) |
| Investment in business enterprise | 789,603 | 260,395 |
| Restricted revenue trust | - | 8,777 |
| Restricted Ontario First Nations Limited Partnership | 2,743,627 | 2,756,721 |
| CMHC replacement reserve | 164,219 | 155,154 |
| Committed reserves | 2,031,371 | 2,031,371 |
| Own Source Revenue – Land Lease | 397,397 | 203,607 |
| Total | \$ 227,019,663 | \$ 6,758,099 |

15. 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, 2024, it's proportional outstanding loan balance as part of the Trust is \$174,000 (2023 - \$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 has been named as a defendant in an action claiming unjust dismissal. As at the reporting date, the value of the claim is unknown. As such, no amount has been accrued in the accounts as a result of this claim.

16. 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) Dexterra Group (formerly Dana Hospitality)

The First Nation entered into a 1-year food services agreement with Dexterra Group (“Dexterra”) to provide management services for the Tim Hortons kiosk. The agreement is in place until January 31, 2025. The monthly payments are based on an annual fee of \$50,000 paid in equal monthly instalments.

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 \$901,735 (2023 - \$1,680,736), as well as the Robinson Huron Treaty settlement receivable in the amount of \$220,866,577 (2023 - \$nil). 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 \$10,063,448 (2023 - \$9,473,097). 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 renewal dates and 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.

18. Contribution arrangement funding provided by Indigenous Services Canada

In 2024, Indigenous Services Canada has provided \$11,381,224 (2023 - \$2,797,269) in funding to the First Nation. In the current year \$154,109 (2023 - \$88,461) of the funding has been provided under Set contribution funding arrangements. All other funding amounts are received under Fixed, Flexible, or Grant funding arrangements and are allowed to be carried forward into the next fiscal year where surpluses have occurred.

| Funding area | Program | Funding | Expenditures | Repayable |
|---------------------|--|------------------|---------------------|------------------|
| Health Services | Medical Transportation - Vans | \$ 73,855 | \$ 73,855 | \$ - |
| Health Services | Medical Transportation - Client Insured | 61,406 | 61,406 | - |
| Health Services | Medical Transportation - Administration | 18,848 | 18,848 | - |
| Total | | \$154,109 | \$154,109 | - |

MAGNETAWAN FIRST NATION
Notes to the Consolidated Financial Statements
March 31, 2024

19. Tangible capital assets

| 2024 | | | | | | | | | | |
|---------------------------------|--------------|-------------------|-----------------------------------|------------------------|----------------------|---------------|--------------|-----------------------------------|----|------------|
| | 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 | \$ 4,460,518 | \$ 646,572 | \$ 598,751 | \$ 3,395,053 | \$ 495,670 | \$ 2,992,040 | \$ 5,535,863 | \$ 1,857,535 | \$ | 19,982,002 |
| Additions | 88,228 | 29,816 | - | 279,048 | 130,915 | - | 158,807 | 737,996 | | 1,424,810 |
| Disposals | (110,900) | - | - | (29,210) | - | - | (64,653) | - | | (204,763) |
| Transfer of completed assets | - | - | - | - | - | - | 517,700 | (517,700) | | - |
| Balance, end of year | 4,437,846 | 676,388 | 598,751 | 3,644,891 | 626,585 | 2,992,040 | 6,147,717 | 2,077,831 | | 21,202,049 |
| Accumulated Amortization | | | | | | | | | | |
| Balance, beginning of year | 1,329,008 | 150,825 | 497,044 | 2,248,296 | 274,267 | 2,428,702 | 1,574,064 | - | | 8,502,206 |
| Disposals | (88,725) | - | - | (26,289) | - | - | (37,092) | - | | (152,106) |
| Amortization expense | 110,158 | 32,117 | 15,465 | 371,945 | 12,637 | 119,682 | 230,326 | - | | 892,330 |
| Balance, end of year | 1,350,441 | 182,942 | 512,509 | 2,593,952 | 286,904 | 2,548,384 | 1,767,298 | - | | 9,242,430 |
| Net book value | \$ 3,087,405 | \$ 493,446 | \$ 86,242 | \$ 1,050,939 | \$ 339,681 | \$ 443,656 | \$ 4,380,419 | \$ 2,077,831 | \$ | 11,959,619 |
| 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 |

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 \$55,081 (2023 - \$46,366). 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 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.

21. Segmented information (Continued)

Library

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

Health Services

The health 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.

Ontario First Nation Limited Partnership (“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.

CMHC Housing

The CMHC 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.

Housing Authority

The housing authority 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 Esso 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)

Special Projects

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

Claims and Litigation

Claims initiated by Magnetawan First Nation against various government organizations such as boundary claims, annuity claims, and land claims, are reported under the claims and litigation segment.

MAGNETAWAN FIRST NATION
Notes to the Consolidated Financial Statements
March 31, 2024

21. Segmented Information (Continued)

| | 2024 | | | | | | | | | | | | | | Totals |
|--|--------------|-------------------------------|-------------|-----------------------------------|------------|-----------------|-------------------|--------------------------|-------------|-------------|-------------------|---------------------------|--------------------|------------------|-----------------------|
| | Band Support | Economic Development Services | Education | Business Operations - Tim Hortons | Library | Health Services | Social Assistance | Community Infrastructure | OPMLP | CMFIC | Housing Authority | Business Operations - Eco | Land and Resources | Special Projects | Claims and Litigation |
| Revenue | | | | | | | | | | | | | | | |
| Indigenous Services Canada | \$ 594,393 | \$ 160,775 | \$ - | \$ - | \$ - | \$ 504,182 | \$ 117,097 | \$ 9,539,511 | \$ - | \$ - | \$ 173,961 | \$ - | \$ 341,905 | \$ - | \$ 11,381,224 |
| Knowledge Education Body | - | - | 1,348,246 | - | - | - | - | - | - | - | - | - | - | - | 1,348,246 |
| Union of Ontario Indians | 2,294,149 | 1,755 | 135,925 | - | - | 247,354 | - | - | - | - | - | - | - | - | 2,679,183 |
| Ontario First Nations Limited Partnership | - | - | - | - | - | - | - | - | 682,171 | - | - | - | - | - | 682,171 |
| CMFIC | - | - | - | - | - | - | - | - | - | 177,846 | - | - | - | - | 177,846 |
| Other | 1,125,458 | 126,601 | 165,795 | - | - | 241,342 | 310,566 | 1,500 | 77,161 | 169,043 | 101,471 | 6,914,069 | 508,108 | 240,073 | 11,075,689 |
| Deferred revenue, beginning | 1,324,941 | 693,460 | 818,369 | - | - | 701,165 | 146,867 | 298,402 | - | - | - | - | 43,597 | - | 4,455,201 |
| Deferred revenue, ending | (2,860,158) | (684,133) | (1,263,031) | - | - | (97,422) | (124,259) | (8,513,956) | - | - | - | - | (607,522) | - | (4,421,581) |
| Releasable to funder | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (1,215) |
| | 2,278,783 | 246,458 | 1,205,304 | 1,013,582 | - | 1,396,621 | -430,111 | 1,332,837 | 759,332 | 346,889 | 275,432 | 6,914,069 | 705,273 | 240,073 | 18,178,764 |
| Expenses | | | | | | | | | | | | | | | |
| Wages and benefits | 1,058,242 | 81,310 | 238,437 | 424,096 | 1,753 | 414,805 | 67,044 | 251,866 | - | - | 31,022 | 499,775 | 431,113 | - | 3,409,463 |
| Materials and program costs | 1,230,157 | 84,023 | 787,843 | 609,962 | 785 | 1,167,230 | 340,854 | 488,555 | 772,426 | 133,529 | 339,008 | 6,314,772 | 227,013 | 22,776 | 13,038,873 |
| Contracted services | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 95,502 |
| Rents and financial expenses | 30,000 | - | - | 127,381 | - | - | - | - | - | 70,093 | - | 504,614 | - | - | 732,088 |
| Amortization expense | 95,944 | 111,232 | 44,599 | - | - | 59,018 | - | 199,261 | - | 169,220 | 66,789 | 114,821 | 31,466 | - | 892,320 |
| Administration | 253,607 | 16,325 | 176,486 | - | - | 42,213 | 20,401 | 960,083 | 772,426 | 34,689 | 7,016 | 7,529,466 | 47,147 | 24,007 | 603,891 |
| Excess (deficiency) of revenue over expenses from operations, before program transfers | \$ (175,185) | \$ (46,432) | \$ (42,061) | \$ (147,857) | \$ (2,538) | \$ (44,432) | \$ - | \$ 363,774 | \$ (13,094) | \$ (60,642) | \$ (168,403) | \$ (615,617) | \$ (31,446) | \$ 103,790 | \$ (881,343) |
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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.