

Consolidated Financial Statements of

**SHESEGWANING FIRST
NATION**

And Independent Auditors' Report thereon

Year ended March 31, 2020

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

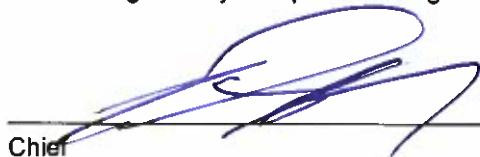
The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Consolidated financial statements are not precise since they include certain amounts based on estimates and judgements. When alternative accounting methods exist, management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

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

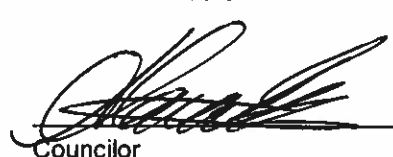
The First Nation Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements.

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

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



Chief



Councilor



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

INDEPENDENT AUDITORS' REPORT

To the Members of Sheshegwaning First Nation

Opinion

We have audited the consolidated financial statements of Sheshegwaning First Nation (the "First Nation"), which comprise:

- the consolidated statement of financial position as at March 31, 2020
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net debt for the year then ended
- the consolidated statement of cash flows for the year then ended
- and the consolidated notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements")

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the First Nation as at March 31, 2020, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board (PSAB).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibility under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the First Nation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Responsibility of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board (PSAB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the First Nation's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the First Nation or to cease operations or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, internal omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the First Nation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to the events or conditions that may cast significant doubt on the First Nation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient audit evidence regarding the financial information of the entities or business activities within the Group First Nation to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font. Below the signature is a single, long, horizontal, slightly curved line.

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada

July 29, 2020

SHESHEGWANING FIRST NATION

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Year ended March 31, 2020

Financial Statements

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SHESHEGWANING FIRST NATION

Exhibit A - Consolidated Statement of Financial Position

March 31, 2020, with comparative information for 2019

	2020	2019
Financial assets		
Cash and short-term investments (note 2)	\$ 2,393,097	\$ 1,257,835
Restricted cash (note 3)	392,963	372,407
Accounts receivable	895,108	602,718
Loans receivable (note 4)	30,660	26,478
Consolidated revenue trust fund	-	88,186
Investment in Odawa Stone Limited Partnership (note 5 (i))	208,719	182,220
Investment in Odawa Freshwater Limited Partnership (note 5 (i))	149	149
Investments in non - controlled entities (note 6)	111,242	101,730
	<u>4,031,938</u>	<u>2,631,723</u>
Financial liabilities		
Accounts payable and accrued liabilities	585,680	355,651
Deferred revenue (note 7)	1,982,840	865,536
Long-term debt (note 8)	1,699,619	1,844,172
	<u>4,268,139</u>	<u>3,065,359</u>
Net debt	(236,201)	(433,636)
Non-financial assets		
Tangible capital assets (note 9)	7,559,233	7,659,180
Prepaid expenses	14,281	15,882
	<u>7,573,514</u>	<u>7,675,062</u>
Contingent liabilities (note 10)		
Effects of COVID-19 (note 14)		
Accumulated surplus (note 11)	\$ 7,337,313	\$ 7,241,426

See accompanying notes to consolidated financial statements.

Approved:


Chief
Councillor

SHESEGWANING FIRST NATION

Exhibit B - Consolidated Statement of Operations and Accumulated Surplus

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Revenue:		
Government transfers - Federal (note 12)	\$ 1,715,643	\$ 1,587,685
- Provincial	789,015	685,954
Kinoomaadziwin education body	1,142,649	998,864
Investment income	20,126	12,163
Rental income	200,644	212,567
Net loss in business enterprises	(161,695)	(83,508)
Other	1,816,477	1,717,874
	5,522,859	5,131,599
Expenses (Schedules):		
Community Services	1,044,902	990,829
Social Assistance	391,976	332,947
Education	1,360,950	1,295,978
Band Government	418,872	251,526
Business Enterprises	281,650	299,859
Community Infrastructure	756,262	746,733
Employment and Economic Development	497,795	417,197
Lands and Resources	108,004	105,452
Community Property	401,994	169,879
Social Housing	164,567	189,070
	5,426,972	4,799,470
Excess of revenue over expenses	95,887	332,129
Accumulated surplus, beginning of year	7,241,426	6,909,297
Accumulated surplus, end of year	\$ 7,337,313	\$ 7,241,426

See accompanying notes to consolidated financial statements.

SHESEGWANING FIRST NATION

Exhibit C - Consolidated Statement of Changes in Net Debt

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Excess of revenue over expenses	\$ 95,887	\$ 332,129
Acquisition of tangible capital assets	(415,747)	(271,806)
Amortization of tangible capital assets	515,694	497,121
	195,834	557,444
Use of prepaid expenses	1,601	171
Change in net financial assets	197,435	557,615
Net debt, beginning of year	(433,636)	(991,251)
Net debt, end of year	\$ (236,201)	\$ (433,636)

See accompanying notes to consolidated financial statements.

SHESHEGWANING FIRST NATION

Exhibit D - Consolidated Statement of Cash Flows

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Operating activities:		
Excess of revenue over expenses	\$ 95,887	\$ 332,129
Adjustments for:		
Amortization of tangible capital assets	515,694	497,121
Impairment loss on investment	22,063	22,063
Share of loss in business enterprises	171,877	93,690
	805,521	945,003
Change in non-cash working capital:		
Increase in accounts receivable	(292,390)	(135,487)
Increase in accounts payable and accrued liabilities	230,029	3,021
Increase in deferred revenue	1,117,304	532,127
Decrease in prepaid expenses	1,601	171
Net change in cash from operating activities	1,862,065	1,344,835
Financing activities:		
Principal payments on long-term debt	(144,553)	(140,039)
Investing activities:		
Purchase of tangible capital assets	(415,747)	(271,806)
Increase in investments	(9,512)	(10,182)
Increase in consolidated revenue trust fund	88,186	(2,001)
Contributions to business enterprises- Odawa Stone	(198,376)	(140,305)
Contributions to business enterprises- GHLP	(22,063)	(22,063)
Decrease (increase) in loans receivable	(4,182)	12,096
	(561,694)	(434,261)
Net increase in cash and short-term investments	1,155,818	770,535
Cash and short-term investments, beginning of year	1,630,242	859,707
Cash and short-term investments, end of year	\$ 2,786,060	\$ 1,630,242
Represented by:		
Cash and short- term investments	\$ 2,393,097	\$ 1,257,835
Restricted cash	392,963	372,407
	\$ 2,786,060	\$ 1,630,242

See accompanying notes to consolidated financial statements.

SHESHEGWANING FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2020

Sheshegwaning First Nation (the "First Nation") is located on Manitoulin Island and administers programs and provides services on behalf of its members.

1. Significant accounting policies:

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

a) Reporting entity:

The reporting entity includes the activities of all committees of Council under the control of the First Nation including:

- Odawa Stone Limited Partnership
- 2294669 Ontario Limited
- Odawa Freshwater Limited Partnership
- Odawa Freshwater General Partner Inc.

The government business enterprises comprising the above are accounted for using the modified equity method. Under the modified equity method, the business enterprise's accounting principles are not adjusted to conform to those of the First Nation and inter-organizational transactions and balances are not eliminated.

b) Revenue recognition:

Revenue is recognized as it becomes receivable under the terms of applicable funding agreements. Funding received under the funding arrangements which relates to a subsequent fiscal period is reflected as deferred revenue on the consolidated statement of financial position.

c) Consolidated revenue trust funds:

Trust funds arise from monies derived from capital or revenue sources as outlined in Section 62 of the Indian Act. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada and are subject to audit by the office of the Auditor General of Canada.

Funds held by the Government of Canada on behalf of the First Nation are included on the consolidated statement of financial position.

SHESHEGWANING FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2020

1. Significant accounting policies (continued):

d) Non-financial assets:

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

i) Tangible capital assets:

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

Asset	Estimated Life - Years
Land improvements	10 - 30 years
Buildings	10 - 40 years
Infrastructure	10 - 40 years
Machinery and equipment	5 - 15 years
Furniture, computers and fixtures	4 - 10 years

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

ii) Natural resources:

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

iii) Works of art and cultural and historic assets:

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

e) Use of estimates:

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant items subject to such estimates and assumptions include the carrying amount of tangible capital assets and valuation allowances for accounts receivable and investment in business enterprises. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

SHESHEGWANING FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2020

1. Significant accounting policies (continued):

f) Prior year funding adjustments:

The First Nation has entered into accountable contribution arrangements with several government funding agencies. All such programs are subject to audit by the various governments, with audit adjustments repayable to the government.

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

2. Cash and short-term investments:

The short-term investments consist of term deposits with a maturity date of less than a year, earn interest at 1.35% per annum and are recorded at cost of \$210,240 (2019 - \$207,042).

Under its credit agreement, the First Nation has a demand operating facility to a maximum of \$150,000, bearing interest at prime plus 2.0%. In the current year, the demand operating facility was not utilized and had an outstanding balance of \$Nil (2019 - \$Nil) at year end.

Borrowings under the credit facility are secured by a general security agreement.

3. Restricted cash:

	2020	2019
Robinson Huron Treaty (i)	\$ 195,750	\$ 195,750
Canadian Mortgage Housing Corporation (ii)	197,213	176,657
	<u>\$ 392,963</u>	<u>\$ 372,407</u>

The First Nation has pledged \$195,750 as security for a loan guarantee arrangement with the Bank of Montreal as described in note 11(e).

In accordance with the operating agreements between the First Nation and Canada Mortgage and Housing Corporation ("CMHC"), cash in the amount of \$197,213 (2019 - \$176,657) is restricted for this purpose. Under the agreement, the First Nation is required to set aside funding to maintain a replacement reserve bank account. As of fiscal year end, this First Nation is required to have set aside \$200,855 (2019 - \$174,762).

4. Loans receivable:

The loans receivable are secured by an assignment of wages bearing interest at rates up to 10% and require monthly payments.

SHESEGWANING FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2020

5. Investment in business enterprises:

The First Nation has a 99% interest in Odawa Stone Limited Partnership ("Odawa Stone") and a further 1% interest by virtue of its 100% investment in 2294669 Ontario Limited (the general partner for Odawa Stone). Odawa Stone is engaged in development and operation of a stone quarry. The First Nation's interest in Odawa Stone's results of operations for the year ended March 31, 2020 is included in the First Nation's consolidated statement of operations.

During the year, the First Nation provided Odawa Stone with labour, contract support, accounting services and equipment rental totaling \$194,706 (2019 - \$140,305). These transactions were entered into during the normal course of operations and these transactions were recorded at their exchange amount.

	2020	2019
Financial Position:		
Current assets	\$ 10,423	\$ 14,882
Other assets	306,533	324,573
Total assets	316,956	339,455
Current liabilities	80,642	90,711
Long-term liabilities	27,595	66,524
Total liabilities	108,237	157,235
Net assets	\$ 208,719	\$ 182,220
Sheshegwaning First Nation interest	% 100	100

Results of operations	2020	2019
Revenue	\$ 50,104	\$ 42,016
Expenses	221,311	135,707
Share in operations	\$ (171,207)	\$ (93,691)

	2020	2019
Investment in business enterprises:		
100% interest in 2294669 Ontario Ltd.	\$ 1	\$ 1
99% interest in Odawa Stone Limited Partnership	99	99
	\$ 100	\$ 100

SHESEGWANING FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2020

5. Investment in business enterprises (continued):

The investment is comprised of 100% ownership of the limited partner units in Odawa Freshwater Limited Partnership with a cost of \$100 and 100% ownership of Odawa Freshwater General Partner Inc. The investment in Odawa Freshwater General Partner Inc. is comprised of 100 common shares with a cost of \$100. The Odawa Freshwater Limited Partnership has a 25% limited partnership interest in the Odawa Island Farm Limited Partnership which is accounted for at its cost of \$25.

6. Investments:

The investments are comprised of the following:

	2020	2019
Investment in U.C.C.M. Building Material Supply Limited Partnership	\$ 111,240	\$ 101,728
Investment in M'Nidoo M'Nising Power Limited Partnership	1	1
Investment in Great Lakes Hospitality Group Partnership	1	1
	\$ 111,242	\$ 101,730

The investment in U.C.C.M. Building Material Limited Partnership represents a 14.28% ownership interest and is accounted for using the equity method.

The investment in the M'Nidoo M'Nising Power Limited Partnership (MMPLP) represents a 16.665% ownership interest and is accounted for using the equity method.

The investment in the Great Lakes Hospitality Group Partnership represents an 11.75% ownership interest and is accounted for using the equity method. In the current year, an additional contribution of \$14,281 was made to the Great Lakes Hospitality Group Partnership. At March 31, 2020 the investment was impaired and a write-down of \$14,281 was realized.

7. Deferred revenue:

	2020	2019
Indigenous Services Canada	\$ 1,193,607	\$ 386,057
Kinoomaadziwin Education Body	703,469	386,492
Health Canada	—	74,520
Other	85,764	18,467
	\$ 1,982,840	\$ 865,536

SHESEGWANING FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2020

8. Long-term debt:

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

	2020	2019
1.01% Canada Mortgage and Housing Corporation, blended monthly payments of \$1,828, due December 2030	\$ 223,368	\$ 242,939
1.31% Canada Mortgage and Housing Corporation, blended monthly payments of \$1,247, due November 2031	161,800	174,551
1.82% Canada Mortgage and Housing Corporation, blended monthly payments of \$2,233, due September 2034	341,361	361,756
1.84% Canada Mortgage and Housing Corporation, blended monthly payments of \$1,065, due September 2037	193,369	202,648
1.67% Canada Mortgage and Housing Corporation, blended monthly payments of \$1,827, due May 2028	167,768	186,302
1.37% Canada Mortgage and Housing Corporation, blended monthly payments of \$2,205, due July 2040	469,453	489,330
Toronto Dominion loan, blended monthly payments of \$3,393 including interest at prime plus 1.50%, due September 2023	142,500	186,646
	<u>\$ 1,699,619</u>	<u>\$ 1,844,172</u>

Borrowings under the Toronto Dominion loan are secured by a general security agreement representing a first charge on the asset which has a net book value of \$80,633 (2019 - \$137,551).

Principal repayments due within each of the next five years are estimated as follows:

2021	\$ 143,091
2022	144,615
2023	146,165
2024	127,381
2025	108,620
Thereafter	1,029,747

SHESHEGWANING FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2020

9. Tangible capital assets:

Cost	Balance at March 31, 2019	Additions	Disposals	Balance at March 31, 2020
Land	\$ 692,897	-	-	\$ 692,897
Land improvements	203,660	-	-	203,660
Buildings	8,325,554	49,950	-	8,375,504
Infrastructure	5,564,140	-	-	5,564,140
Machinery and equipment	2,111,784	190,480	-	2,302,264
Furniture, computers and fixtures	180,195	13,881	-	194,076
Assets under construction	149,166	161,436	-	310,602
Total	\$ 17,227,396	415,747	-	\$ 17,643,143
Accumulated Amortization	Balance at March 31, 2019	Disposals	Amortization	Balance at March 31, 2020
Land	\$ -	-	-	\$ -
Land improvements	68,067	-	7,583	75,650
Buildings	4,328,244	-	235,802	4,564,046
Infrastructure	3,614,164	-	91,340	3,705,504
Machinery and equipment	1,421,519	-	160,087	1,581,606
Furniture, computers and fixtures	136,222	-	20,882	157,104
Assets under construction	-	-	-	-
Total	\$ 9,568,216	-	515,694	\$ 10,083,910
	Net book value, March 31, 2019			Net book value, March 31, 2020
Land	\$ 692,897			692,897
Land improvements	135,593			128,010
Buildings	3,997,310			3,811,458
Infrastructure	1,949,976			1,858,636
Machinery and equipment	690,265			720,658
Furniture, computers and fixtures	43,973			36,972
Assets under construction	149,166			310,602
Total	\$ 7,659,180			7,559,233

SHESHEGWANING FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2020

9. Tangible capital assets (continued):

Cost	Balance at March 31, 2018	Additions	Disposals	Balance at March 31, 2019
Land	\$ 692,897	-	-	\$ 692,897
Land improvements	203,660	-	-	203,660
Buildings	8,325,554	-	-	8,325,554
Infrastructure	5,541,100	23,040	-	5,564,140
Machinery and equipment	2,019,790	91,994	-	2,111,784
Furniture, computers and fixtures	172,589	7,606	-	180,195
Assets under construction	-	149,166	-	149,166
Total	\$ 16,955,590	271,806	-	\$ 17,227,396

Accumulated Amortization	Balance at March 31, 2018	Disposals	Amortization	Balance at March 31, 2019
Land	\$ -	-	-	\$ -
Land improvements	61,636	-	6,431	68,067
Buildings	4,093,594	-	234,650	4,328,244
Infrastructure	3,521,672	-	92,492	3,614,164
Machinery and equipment	1,276,591	-	144,928	1,421,519
Furniture, computers and fixtures	117,602	-	18,620	136,222
Assets under construction	-	-	-	-
Total	\$ 9,071,095	-	497,121	\$ 9,568,216

	Net book value, March 31, 2018	Net book value, March 31, 2019
Land	\$ 692,897	692,897
Land improvements	142,024	135,593
Buildings	4,231,960	3,997,310
Infrastructure	2,019,428	1,949,976
Machinery and equipment	743,199	690,265
Furniture, computers and fixtures	54,987	43,973
Assets under construction	-	149,166
Total	\$ 7,884,495	7,659,180

SHESEGWANING FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2020

10. Contingent liabilities:

The First Nation has endorsed CMHC loans made to various members under the Rural Rehabilitation Assistance Program and is contingently liable for some.

Indigenous Services Canada ("ISC") has guaranteed loans on behalf of its members in the amount of \$1,557,120 (2019 - \$1,657,565). If any loans are in default and required payment by ISC, the amount paid will be charged back to the First Nation.

The First Nation provided a limited guarantee of 25% on a loan issued to Odawa Stone Limited Partnership in the amount of \$20,962.

Under terms of a loan facility agreement between the Bank of Montreal and the Great Lakes Hospitality Limited Partnership (the "GLHLP") the First Nation has guaranteed an amount proportional to its 11.75% ownership interest in the partnership. As of the year end, the outstanding balance on the facility was \$1,854,110. In addition, the First Nation in conjunction with the other limited partners has guaranteed on a joint and several basis obligations to make any payments due by GLHLP under terms of the loan facility.

In accordance with terms and conditions of a financing arrangement between the Bank of Montreal and the Robinson Huron Treaty Trust (the "Trust"), the First Nation as a beneficiary of the Trust has guaranteed borrowing in proportion to its beneficial interest in the Trust in the amount of \$195,750. As of March 31, 2020, its proportional outstanding loan balance as part of the Trust is \$195,750 (2019 - \$195,750).

11. Accumulated surplus:

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

	2020	2019
Surplus:		
Invested in tangible capital assets	\$ 5,859,614	\$ 5,815,008
Operations	(2,044,516)	(1,868,356)
	3,815,098	3,946,652
Reserves set aside by Council	3,522,215	3,294,774
	\$ 7,337,313	\$ 7,241,426

SHESEGWANING FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2020

12. Government transfers- Federal:

	2020	2019
Indigenous Services Canada	\$ 1,476,672	\$ 1,158,427
Health Canada	–	141,345
Canada Mortgage and Housing Corporation	163,383	178,406
Other	75,588	109,507
	<u>\$ 1,715,643</u>	<u>\$ 1,587,685</u>

13. Comparative information:

Certain 2020 comparative information have been reclassified where necessary to conform to the current year presentation.

14. Effects of COVID-19:

On March 11, 2020, the COVID-19 outbreak was declared by the World Health Organization. This has resulted in governments worldwide, including the Canadian and Ontario governments, enacting emergency measures to combat the spread of the virus. These measures, which include implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally and in Ontario resulting in an economic shutdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions however the success of these interventions is not currently determinable. The current challenging climate may lead to adverse changes in cash flows, working capital levels and/or debt balances, which may also have a direct impact on the First Nation's operating results and financial position in the future. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect to the First Nation's business is not known at this time.

15. Segmented information:

Sheshegwaning First Nation is a diversified governmental institution that provides a wide range of services to its Members, including community services, social services, education, band government, infrastructure, economic and community development, business enterprises, capital and rental housing. For management reporting purposes the First Nation's operations and activities are organized and reported by fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

Services are provided by 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, are as follows:

The community services department provides a wide range of support services for children and families.

SHESHEGWANING FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2020

15. Segmented information (continued):

Social Assistance

The social assistance department delivers a variety of programming including Ontario Works and offers employment support services. In addition, the department manages the homemakers and national child benefit programs.

Education

The education department provides services to elementary students through the operation of an on reserve elementary school for students up to Grade 8. Service contracts with provincially funded area school boards are entered into for secondary students. In addition, the department reimburses tuition costs and provides living and other allowances to students who are attending post-secondary institutions.

Band Government

The band government department oversees the delivery of all governmental services. The department is responsible for ensuring that there are adequate policies and procedures in place to safeguard assets and to properly report financial activities.

Community Infrastructure

The community infrastructure or public works department provides the First Nation with support services for the repair and maintenance of all First Nation owned assets including buildings, roads, water systems and equipment. In addition, the department arranges for fire protection services to be provided to the First Nation.

Employment and Economic Development

This department is responsible for identifying and developing economic opportunities for the benefit of the First Nation and its Members. The department also secures and delivers employment training funding for the First Nation. In addition the department manages the operations of the Complex.

Business Enterprises and Other

Business ventures undertaken by the First Nation are managed through the business enterprise department of the First Nation.

Community Property

This department is responsible for managing all capital asset activities occurring in the First Nation during the year, including housing construction and renovations as well as major projects such as water and building construction.

SHESHEGWANING FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2020

14. Segmented information (continued):

Social Housing

The social housing department manages the operations of the various rental housing stock owned by the First Nation including both CMHC and other housing. This includes tenant identification, rent collection and maintenance management.

For each report segment, revenues and expenses include amounts that are directly attributable to the segment and amounts that are allocated on the reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information, including transfers that have been apportioned based on a percentage of budgeted expenses.

The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in the summary of significant accounting policies.

SHESHEGWANING FIRST NATION

Notes to Consolidated Financial Statements

Note 15 - Segmented Information (continued)

Year ended March 31, 2020

	Community Services	Social Assistance	Education	Band Government	Community Infrastructure	Employment and Economic Development	Business Enterprises and Other	OFNLP Community Projects	Community Property	Social Housing	2020 Total
Revenue	\$ 1,106,391	359,705	1,355,951	400,911	368,118	491,319	166,459	615,080	443,664	215,261	\$ 5,522,859
Expenses:											
Salaries, wages and benefits	567,011	72,032	564,707	348,822	244,386	373,732	36,354	-	83,269	431	2,290,744
Materials, supplies, rentals and general	410,593	310,582	422,768	334,138	274,945	95,259	155,204	-	94,683	80,737	2,178,909
Contractual services	-	-	-	-	23,623	74,203	35,445	-	466,896	-	600,167
Administration	54,658	9,362	141,669	(297,419)	27,676	53,760	-	-	6,053	-	(4,241)
Tuition	-	-	247,165	-	-	-	-	-	-	-	247,165
Amortization of tangible capital assets	60,049	-	34,591	41,776	224,632	-	71,247	-	-	83,399	515,694
Investment in tangible capital assets	(47,409)	-	(49,950)	(8,445)	(39,000)	(5,436)	(16,600)	-	(248,907)	-	(415,747)
Investment impairment loss	-	-	-	-	-	14,281	-	-	-	-	14,281
	1,044,902	391,976	1,360,950	418,872	756,262	605,799	281,650	-	401,994	164,567	5,426,972
Excess (deficiency) of revenue over expenses	\$ 61,489	(32,271)	(4,999)	(17,961)	(388,144)	(114,480)	(115,191)	615,080	41,670	50,694	\$ 95,887

SHESHEGWANING FIRST NATION

Notes to Consolidated Financial Statements

Note 15 - Segmented Information (continued)

Year ended March 31, 2020

	Community Services	Social Assistance	Education	Band Government	Community Infrastructure	Employment and Economic Development	Business Enterprises and Other	OFNLP Community Projects	Community Property	Social Housing	2019 Total
Revenue	\$ 852,863	307,316	1,297,248	351,043	355,259	458,042	115,849	710,203	402,620	281,156	\$ 5,131,599
Expenses:											
Salaries, wages and benefits	468,977	66,143	504,243	248,327	262,836	305,359	32,327	-	71,871	-	1,960,083
Materials, supplies, rentals and general	417,411	260,984	430,323	247,329	218,322	117,550	177,145	-	134,159	95,987	2,099,210
Contractual services	-	-	-	-	19,473	43,878	34,297	-	208,834	-	306,482
Administration	51,049	5,820	141,669	(276,542)	28,701	33,799	-	-	5,820	9,684	-
Tuition	-	-	186,317	-	-	-	-	-	-	-	186,317
Amortization of tangible capital assets	53,392	-	33,426	40,018	217,401	-	69,485	-	-	83,399	497,121
Investment in tangible capital assets	-	-	-	(7,606)	-	-	(13,395)	-	(250,805)	-	(271,806)
Investment impairment loss	-	-	-	-	-	22,063	-	-	-	-	22,063
	990,829	332,947	1,295,978	251,526	746,733	522,649	299,859	-	169,879	189,070	4,799,470
Excess (deficiency) of revenue over expenses	\$ (137,966)	(25,631)	1,270	99,517	(391,474)	(64,607)	(184,010)	710,203	232,741	92,086	\$ 332,129