

Consolidated Financial Statements of

SAGAMOK ANISHNAWBEK

And Independent Auditors' Report thereon

Year ended March 31, 2019

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Sagamok Anishnawbek are the responsibility of management and have been approved by the Chief and Council.

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 judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the consolidated financial statements are presented fairly, in all material respects.

Sagamok 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 Sagamok's assets are appropriately accounted for and adequately safeguarded.

Sagamok 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 reviewed Sagamok'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 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. KPMG LLP has full access to the Council.



Chief

Director of Operations



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 Chief and Council of Sagamok Anishnawbek

Opinion

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

- the consolidated statement of financial position as at March 31, 2019
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net financial assets (net debt) for the year then ended
- the consolidated statement of cash flows for the year then ended
- and the consolidated notes to the 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, 2019, 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:

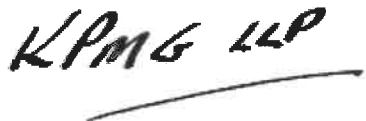
- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

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" in a stylized, cursive font. A thin black line is drawn underneath the signature.

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada

August 26, 2019

SAGAMOK ANISHNAWBEK

Index to Consolidated Financial Statements

Year ended March 31, 2019

Consolidated Financial Statements

Consolidated Statement of Financial Position	1
Consolidated Statement of Operations	2
Consolidated Statement of Changes in Net Financial Assets (Net Debt)	3
Consolidated Statement of Cash Flows	4
Notes to Consolidated Financial Statements	5 - 17

SAGAMOK ANISHNAWBEK

Consolidated Statement of Financial Position

March 31, 2019, with comparative information for 2018

	2019	2018
Financial Assets		
Cash	\$ 2,181,771	\$ 636,387
Restricted cash	1,959,239	1,836,124
Accounts receivable	4,861,003	3,901,367
Investments (note 2)	608,117	547,197
<u>Investment in business enterprise (note 3)</u>	290,966	1
	9,901,096	6,921,076
Financial Liabilities		
Bank indebtedness	275,000	133,619
Accounts payable and accrued liabilities	3,989,980	1,985,934
Deferred revenue	2,863,517	1,069,924
<u>Long-term debt (note 5)</u>	13,330,099	11,834,421
	20,458,596	15,023,898
Net financial assets (net debt)	(10,557,500)	(8,102,822)
Non-Financial Assets		
Prepaid expenses	145,558	183,331
<u>Tangible capital assets (note 4)</u>	31,069,388	27,931,140
	31,214,946	28,114,471
Contingent liabilities (note 8)		
Accumulated surplus (note 6)	\$ 20,657,446	\$ 20,011,649

See accompanying notes to consolidated financial statements.

Approved on behalf of Council:

 Chief

 Director of Operations

SAGAMOK ANISHNAWBEK

Consolidated Statement of Operations

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Revenue:		
Indigenous Services Canada (note 11)	\$ 10,121,068	\$ 12,143,556
North Shore Tribal Council	3,055,582	3,062,918
Health Canada	2,489,688	2,464,870
Ontario First Nations Limited Partnership	1,738,770	1,370,841
Ministry of Education	640,634	519,538
Canada Mortgage and Housing Corporation	802,126	915,200
Other	11,013,146	10,056,404
<u>Share of earnings from First Nation enterprises (note 3)</u>	<u>290,966</u>	<u>-</u>
	30,151,980	30,533,327
Expenses:		
Education	6,643,114	7,017,880
Medical Services	6,342,775	5,169,468
Band Government	3,286,596	2,469,501
Social Assistance - Income Support	2,060,221	2,241,161
Community Infrastructure	1,877,203	2,000,002
Treaty Support	-	1,826,000
Sagamok Development Corporation	1,018,237	1,237,829
Community Housing	1,402,756	1,194,060
Housing Renovations	311,702	1,038,784
Ritchie Falls	478,088	675,517
Day Nursery Program	649,369	649,525
Mining Initiative	541,132	592,801
Land and Environment	555,280	487,365
Aboriginal Skills and Employment Training Strategy - Employment Strategy	603,285	470,864
Housing Administration	412,130	394,206
Restricted Funds	603,272	391,528
MTO Settlement	22,063	350,292
Employment Programs	194,951	268,909
Infrastructure Expansion / Minor Capital	240,876	231,606
Business Enterprises	387,932	211,358
Economic Development	1,048,045	201,165
Seniors Complex	176,305	154,990
First Nations Child Care Initiative	133,919	90,673
Aboriginal Skills and Employment Training Strategy - Employment Insurance	145,836	89,019
Lottery Operations	21,646	84,766
Community Hall Operations	33,916	43,076
Federal School Capital	40,215	33,894
Fisheries	26,000	25,000
Foster Home	-	21,031
School Feasibility Study	30,000	17,220
Pulpwood operations	219,319	2,362
	29,506,183	29,681,852
 Excess of revenue over expenses	 645,797	 851,475
 Accumulated surplus, beginning of year	 20,011,649	 19,160,174
 Accumulated surplus, end of year	 \$ 20,657,446	 \$ 20,011,649

See accompanying notes to consolidated financial statements.

SAGAMOK ANISHNAWBEK

Consolidated Statement of Changes in Net Financial Assets (Net Debt)

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Excess of revenue over expenses	\$ 645,797	\$ 851,475
Acquisition of tangible capital assets	(4,971,655)	(3,939,757)
<u>Amortization of tangible capital assets</u>	<u>1,833,407</u>	<u>1,584,217</u>
	(2,492,451)	(1,504,065)
Use of prepaid expenses	183,331	180,522
Acquisition of prepaid expenses	(145,558)	(183,331)
Change in net financial assets (net debt)	(2,454,678)	(1,506,874)
Net debt, beginning of year	(8,102,822)	(6,595,948)
<u>Net debt, end of year</u>	<u>\$ (10,557,500)</u>	<u>\$ (8,102,822)</u>

See accompanying notes to consolidated financial statements.

SAGAMOK ANISHNAWBEK

Consolidated Statement of Cash Flows

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Cash flows from operating activities:		
Excess of revenue over expenses	\$ 645,797	\$ 851,475
Adjustment for:		
Amortization of tangible capital assets	1,833,407	1,584,217
Increase in investment in business enterprise	(290,965)	-
	2,188,239	2,435,692
Change in non-cash working capital:		
Increase (decrease) in accounts receivable	(959,636)	87,648
Increase (decrease) in prepaid expenses	37,773	(2,809)
Decrease in accounts payable and accrued liabilities	2,004,046	(442,341)
Increase (decrease) in deferred revenue	1,793,593	(308,429)
	5,064,015	1,769,761
Cash flow from financing activities:		
Long-term debt issued	2,258,853	2,877,010
Principal payments on long-term debt	(763,175)	(728,557)
	1,495,678	2,148,453
Cash flows from capital activity:		
Purchase of tangible capital assets	(4,971,655)	(3,939,757)
Cash flow from investing activities:		
Decrease in investments	(60,920)	74,362
Net increase in cash	1,527,118	52,819
Cash, beginning of year	2,338,892	2,286,073
Cash, end of year	\$ 3,866,010	\$ 2,338,892
Represented by:		
Cash	\$ 2,181,771	\$ 636,387
Bank indebtedness	(275,000)	(133,619)
Restricted cash	1,959,239	1,836,124
	\$ 3,866,010	\$ 2,338,892

See accompanying notes to consolidated financial statements.

SAGAMOK ANISHNAWBEK

Notes to Consolidated Financial Statements

Year ended March 31, 2019

1. Significant accounting policies:

These consolidated financial statements of Sagamok Anishnawbek ("the First Nation") 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:

These consolidated financial statements reflect the assets, liabilities, revenues and expenses of all programs under the control of Chief and Council.

All controlled entities are fully consolidated on a line-by-line basis except for commercial enterprises which meet the definition of a government business enterprise, which are included in the consolidated financial statements on a modified equity basis. Inter-organizational balances and transaction are eliminated upon consolidation.

Under the modified equity method of accounting, only the First Nation's portion of the enterprise that are different from those of the First Nation, and inter-organizational balances and transactions are eliminated.

Organizations consolidated include:

Sagamok Development Corporation ("SDC")

Ritchie Falls Resort LP (Operating as "Ritchie Falls Resort", "RFR")

Organizations accounted for on a modified equity basis include:

Z'Gamok Enterprises LP

(b) Basis of accounting:

The First Nation follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measureable. Expenses are recognized as they are incurred and measureable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

(c) Government transfers and other revenue recognition:

Transfers are recognized in the financial statements as revenues in the period in which events give rise to the transfer, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made.

Revenue from fees, contracts and sales of publications is recognized when the services are provided or the goods are sold.

SAGAMOK ANISHNAWBEK

Notes to Consolidated Financial Statements

Year ended March 31, 2019

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 is amortized on a straight-line basis over the estimated useful lives of the assets as follows:

Asset	Estimated Life - Years
Computer equipment	4 years
Vehicles	15 years
Furniture and equipment	5 - 10 years
Machinery and equipment	6 - 25 years
Water systems	10 - 50 years
Roads	25 - 50 years
Housing	25 - 40 years
Buildings	25 - 40 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 financial statements.

(iii) Works of art and cultural and historic assets:

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

SAGAMOK ANISHNAWBEK

Notes to Consolidated Financial Statements

Year ended March 31, 2019

1. Significant accounting policies (continued):

(e) Use of estimates:

The preparation of 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 dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Significant items subject to such estimates and assumptions include the carrying value of capital assets and valuation allowances for receivables. 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.

2. Investments:

	2019	2018
Knowledge First Financial Education Fund	\$ 608,116	\$ 547,196
Manitoulin Hotel Project	1	1
	\$ 608,117	\$ 547,197

SAGAMOK ANISHNAWBEK

Notes to Consolidated Financial Statements

Year ended March 31, 2019

3. Investment in First Nation enterprises:

Z'Gamok Enterprises LP

The First Nation has a direct 100% interest in Z'Gamok Enterprises LP. Z'Gamok Enterprises LP is engaged primarily in contracted services for mining, ore hauling, and custodial services.

The following table presents condensed supplementary financial information of Z'Gamok Enterprises LP for the year ended March 31, 2019:

	2019	2018
Financial position:		
Current assets	\$ 2,923,267	\$ 1,519,126
Total assets	2,923,267	1,519,126
Current liabilities	2,280,896	429,627
Due to Sagamok Anishnawbek	351,405	1,089,559
Total liabilities	2,632,301	1,519,186
Retained earnings (deficit)	\$ 290,966	\$ (60)
Results of operations:		
Revenues	\$ 1,993,694	\$ 1,288,984
Expenses	1,702,669	1,249,075
Net income (loss)	\$ 291,025	\$ (39,909)

Transactions between Z'Gamok Enterprises LP, Sagamok Anishnawbek, and Sagamok Development Corporation are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the related parties.

SAGAMOK ANISHNAWBEK

Notes to Financial Statements

Year ended March 31, 2019

4. Tangible capital assets:

Cost	Balance at March 31,			Balance at March 31, 2019
	2018	Additions	Disposals	
Land and land improvements	\$ 588,573	\$ 34,000	\$ -	\$ 622,573
Buildings	33,880,741	3,631,689	-	37,512,430
Furniture and equipment	1,001,811	240,857	-	1,242,668
Vehicles	1,703,995	216,312	-	1,920,307
Machinery and equipment	1,935,376	157,751	-	2,093,127
Roads infrastructure	6,076,682	657,846	-	6,734,528
Water and sewer infrastructure	2,204,760	33,200	-	2,237,960
Computer	761,741	-	-	761,741
Total	\$ 48,153,679	\$ 4,971,655	\$ -	\$ 53,125,334

Accumulated Amortization	Balance at March 31,			Balance at March 31, 2019
	2018	Amortization	Disposals	
Land and land improvements	\$ 176,432	\$ 13,279	\$ -	\$ 189,711
Buildings	12,679,576	1,045,168	-	13,724,744
Furniture and equipment	566,753	99,570	-	666,323
Vehicles	867,412	332,848	-	1,200,260
Machinery and equipment	221,786	67,129	-	288,915
Roads infrastructure	4,131,197	139,194	-	4,270,391
Water and sewer infrastructure	1,033,949	58,685	-	1,092,634
Computer	545,434	77,534	-	622,968
Total	\$ 20,222,539	\$ 1,833,407	\$ -	\$ 22,055,946

	Net book value, March 31, 2018	Net book value, March 31, 2019
Land and land improvements	\$ 412,141	\$ 432,862
Buildings	21,201,165	23,787,686
Furniture and equipment	435,058	576,345
Vehicles	836,583	720,047
Machinery and equipment	1,713,590	1,804,212
Roads infrastructure	1,945,485	2,464,137
Water and sewer infrastructure	1,170,811	1,145,326
Computer	216,307	138,773
Total	\$ 27,931,140	\$ 31,069,388

SAGAMOK ANISHNAWBEK

Notes to Financial Statements

Year ended March 31, 2019

4. Tangible capital assets (continued):

Cost	Balance at March 31, 2017	Additions	Disposals	Balance at March 31, 2018
Land and land improvements	\$ 518,025	\$ 70,548	\$ -	\$ 588,573
Buildings	30,989,965	2,890,776	-	33,880,741
Furniture and equipment	860,170	141,641	-	1,001,811
Vehicles	1,523,671	180,324	-	1,703,995
Machinery and equipment	1,585,889	349,487	-	1,935,376
Roads infrastructure	6,058,829	17,853	-	6,076,682
Water and sewer infrastructure	2,076,010	128,750	-	2,204,760
Computer	601,363	160,378	-	761,741
Total	\$ 44,213,922	\$ 3,939,757	\$ -	\$ 48,153,679
Accumulated Amortization	Balance at March 31, 2017	Amortization	Disposals	Balance at March 31, 2018
Land and land improvements	\$ 165,415	\$ 11,017	\$ -	\$ 176,432
Buildings	11,721,840	957,736	-	12,679,576
Furniture and equipment	487,478	79,275	-	566,753
Vehicles	630,607	236,805	-	867,412
Machinery and equipment	164,269	57,517	-	221,786
Roads infrastructure	4,012,013	119,184	-	4,131,197
Water and sewer infrastructure	978,322	55,627	-	1,033,949
Computer	478,378	67,056	-	545,434
Total	\$ 18,638,322	\$ 1,584,217	\$ -	\$ 20,222,539
	Net book value, March 31, 2017		Net book value, March 31, 2018	
Land and land improvements	\$ 352,610		\$ 412,141	
Buildings	19,268,125		21,201,165	
Furniture and equipment	372,692		435,058	
Vehicles	893,064		836,583	
Machinery and equipment	1,421,620		1,713,590	
Roads infrastructure	2,046,816		1,945,485	
Water and sewer infrastructure	1,097,688		1,170,811	
Computer	122,985		216,307	
Total	\$ 25,575,600		\$ 27,931,140	

SAGAMOK ANISHNAWBEK

Notes to Consolidated Financial Statements

Year ended March 31, 2019

5. Long-term debt:

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

	2019	2018
Mortgage payable to Canada Mortgage and Housing Corporation in monthly payments of \$2,724 including interest at 1.43%, due April 2022	\$ 98,535	\$ 129,573
Mortgage payable to Royal Bank of Canada in monthly payments of \$2,350 including interest at 3.48%, due February 2023	100,891	125,121
Mortgage payable to Canada Mortgage and Housing Corporation in monthly payments of \$2,704 including interest at 2.50%, due June 2023	130,712	159,673
Mortgage payable to Canada Mortgage and Housing Corporation in monthly payments of \$9,397 including interest at 1.12%, due February 2020	627,665	732,777
Mortgage payable to Canada Mortgage and Housing Corporation in monthly payments of \$7,583 including interest at 1.01%, due February 2021	593,491	678,038
Mortgage payable to Canada Mortgage and Housing Corporation in monthly payments of \$4,733 including interest at 2.50%, due June 2023	461,323	506,529
Mortgage payable to Canada Mortgage and Housing Corporation in monthly payments of \$3,029 including interest at 1.03%, due October 2021	426,180	457,969
Mortgage payable to Canada Mortgage and Housing Corporation in monthly payments of \$3,132 including interest at 1.30%, due June 2022	457,373	488,809
Mortgage payable to Canada Mortgage and Housing Corporation in monthly payments of \$5,568 including interest at 2.68%, due October 2023	795,185	840,857
Mortgage payable to Canada Mortgage and Housing Corporation, in monthly payments of \$4,773 including interest at 1.39%, due June 2020	832,913	878,301
Mortgage payable to Canada Mortgage and Housing Corporation, in monthly payments of \$2,603 including interest at 1.86%, due April 2024	523,390	543,682
Mortgage payable to Canada Mortgage and Housing Corporation in monthly payments of \$2,190 including interest at 1.01%, due February 2021	406,729	428,790
TD Bank loan – John Deere Grader with monthly principal payments of \$2,042 plus interest at 4.086%, due September 2020	34,584	56,490
Mortgage payable to Canada Mortgage and Housing Corporation in monthly payments of \$1,942 including interest at 1.48%, due January 2022	365,274	383,051
Mortgage payable to Canada Mortgage and Housing Corporation in monthly payments of \$3,762 including interest at 1.97%, due December 2022	707,684	738,611
 Brought forward	 \$ 6,561,929	 \$ 7,148,271

SAGAMOK ANISHNAWBEK

Notes to Consolidated Financial Statements

Year ended March 31, 2019

5. Long-term debt (continued):

	2019	2018
Carried forward	\$ 6,561,929	\$ 7,148,271
Term loan payable to Royal Bank of Canada in monthly payments of \$2,904 including interest at 4.00%, due October 2021	117,501	146,220
Mortgage payable to Canada Mortgage and Housing Corporation in monthly payments of \$2,649 including interest at 1.37%, due July 2020	588,071	611,655
Mortgage payable to Canada Mortgage and Housing Corporation in monthly payments of \$2,807 including interest at 1.37%, due July 2020	623,023	648,009
TD term loan for Dodge Truck with monthly payments of \$710 including interest at 3.58%, due February 2021	15,755	23,552
TD term loan for Vehicle Fleet with monthly payments of \$3,015 including interest at 4.36%, due March 2022	162,907	191,310
TD term loan for Rental Building with monthly payments Of \$1,728 including interest at 4.28%, due April 2021	196,408	208,461
Mortgage payable to Canada Mortgage and Housing Corporation in monthly payments of \$4,750 including interest at 1.84%, due September 2022	1,087,523	1,124,218
Mortgage payable to Canada Mortgage and Housing Corporation in monthly payments of \$7,720 including interest at 2.49%, due May 2023	1,683,214	1,692,180
TD term loan for Vehicle with monthly payments of \$619 including interest at 4.72%, due May 2024	34,915	40,545
Mortgage payable to Canada Mortgage and Housing Corporation, terms to be settled upon completion of related construction project	2,207,298	—
Waubetek Term Loan, with deferred monthly payments of \$1,432 beginning July 7 th , 2019, interest free, due June 7 th , 2022	51,555	—
	<hr/> \$ 13,330,099	<hr/> \$ 11,834,421

Principal payments required on long-term debt are as follows:

2020	\$ 3,568,707
2021	3,417,928
2022	1,356,290
2023	2,193,773
2024	2,380,282
Thereafter	413,119

SAGAMOK ANISHNAWBEK

Notes to Consolidated Financial Statements

Year ended March 31, 2019

6. Accumulated surplus:

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

	2019	2018
Surplus:		
Invested in tangible capital assets	\$ 17,856,790	\$ 16,242,938
Reserves and reserve funds	5,835,535	5,565,887
Restricted funds	1,273,958	912,139
Other	(4,308,837)	(2,709,315)
Total surplus	\$ 20,657,446	\$ 20,011,649

7. Replacement reserve funds:

The terms of the CMHC agreement require that the replacement reserves be funded in the amount of \$1,036,176 (2018 - \$988,192). At March 31, 2019, the reserve funds are underfunded by \$51,899 (2018 - \$75,710).

8. Contingent liabilities:

- (a) The First Nation has entered into accountable contribution arrangements with several government funding agencies. All such programs are subject to audit by the various governments, with audit adjustments repayable to the governments.
- (b) The First Nation has endorsed CMHC loans made to various members under the Rural Rehabilitation Assistance Program and is contingently liable under the terms of the loan program.
- (c) The Department of Indigenous and Northern Affairs Canada (INAC) has guaranteed loans to various members. If any loans are in default and require payment by the Department, the amount paid will be charged back to the First Nation.
- (d) In accordance with terms and conditions of a financing arrangement between the Bank of Montreal and the Robinson Huron Treaty Trust (the "Trust"), the First Nation as a beneficiary of the Trust has guaranteed borrowings in proportion to its beneficial interest in the Trust in the amount of \$514,750. As of March 31, 2019, its proportional outstanding loan balance as part of the Trust is \$514,750 (2018 - \$514,750).

The loan guarantee is secured by an assignment of the First Nation's distributions from the Ontario First Nation Limited Partnership.

SAGAMOK ANISHNAWBEK

Notes to Consolidated Financial Statements

Year ended March 31, 2019

9. Comparative information:

Certain 2018 comparative information have been reclassified to conform to the presentation adopted in 2019.

10. Budget figures:

Budgets established for capital funds are based on a project-oriented basis, the costs of which may be carried out over several years. Current fund budgets are affected on an on-going basis, depending on when various government programs become available to the First Nation. Accordingly, the budgets are not directly comparable with current year actual amounts and therefore, budgets have not been reflected on the consolidated statement of operations.

11. Indigenous Services Canada:

	2019	2018
Revenue as reported	\$ 10,121,068	\$ 12,143,556
Deferred Revenue: Post-secondary education	291,433	317,932
Deferred Revenue: Prevention services	324,707	69,335
Deferred Revenue: New Paths	(32,454)	36,871
Deferred Revenue: Feasibility Study	552,130	37,150
Deferred Revenue: Special education	145,054	—
Deferred Revenue: Community Development	60,000	—
Deferred Revenue: Financial Administration Law	75,000	—
Deferred Revenue: Const of multi-units	—	(571,387)
Deferred Revenue: Renovations and additions	—	(250,000)
Deferred Revenue: Lot Servicing	—	(125,000)
Deferred Revenue: Capacity development	—	(130,980)
Deferred Revenue: Innovation	—	(25,000)
Revenue per funding confirmation	(11,536,938)	(11,502,477)
	\$ —	\$ —

SAGAMOK ANISHNAWBEK

Notes to Consolidated Financial Statements

Year ended March 31, 2019

12. Segmented information:

Sagamok Anishnawbek is a diversified governmental institution that provides a wide range of services to its band members, including band support, health services, education, social assistance, and capital. 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:

Band Support

The band support 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. In addition, this department includes the governance activities of chief and council and management and assistance for computer and communications related projects and services.

Health Services

The health services department provides a diverse bundle of services directed toward the well-being of the members of the member First Nations including such activities as long-term care, health centers, diabetes, fetal alcohol syndrome, mental health, smoke free programs, traditional healing and training designed to enhance the health of member communities.

Education

The education department provides education management services to the member First Nations as well as overseeing various small incentives on behalf of the communities.

Social Assistance

The social assistance department provides services under the Provincial Ontario Works Program including both active measures such as employment training and financial assistance components.

SAGAMOK ANISHNAWBEK

Notes to Consolidated Financial Statements

Year ended March 31, 2019

12. Segmented information (continued):

Capital

The capital department provides services for the longevity of the First Nation by the acquisition and development of land resources, equipment, roads and housing. Revenue and expenses included in the capital department are generally long-term in nature, capitalized in the accounts of the First Nation and amortized over their useful life.

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

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

SAGAMOK ANISHNAWBEK

Notes to Consolidated Financial Statements

Year ended March 31, 2019

12. Segmented information (continued):

	Social Assistance	Health	Education	General Band Support	Capital	Consolidated Entities	Reserves and Reserve Funds	2019 Consolidated Total
Revenue:								
Indigenous Services Canada	\$ -	193,225	5,845,901	3,853,837	228,105	-	-	\$ 10,121,068
Health Canada	-	2,479,688	-	10,000	-	-	-	2,489,688
Ontario First Nations Limited Partnership	-	-	-	-	-	-	1,738,770	1,738,770
Canada Mortgage and Housing Corporation	-	-	-	108,724	693,402	-	-	802,126
Other	2,056,430	3,618,643	461,732	5,154,287	2,388,500	1,294,941	25,795	15,000,328
	2,056,430	6,291,556	6,307,633	9,126,848	3,310,007	1,294,941	1,764,565	30,151,980

	Social Assistance	Health	Education	General Band Support	Capital	Consolidated Entities	Reserves and Reserve Funds	2019 Consolidated Total
Expenses:								
Salaries and benefits	316,463	2,929,674	2,640,712	3,851,125	378,433	259,237	-	10,375,644
Materials, supplies and subcontracts	64,497	1,190,840	211,983	1,378,553	864,366	-	-	3,710,239
Professional fees	669	173,426	498,782	938,838	53,400	25,100	-	1,690,215
Interest on long-term debt	-	-	-	10,617	233,620	6,133	-	250,370
Other	1,678,592	2,048,154	3,291,637	3,685,368	1,040,518	1,132,174	603,272	13,479,715
	2,060,221	6,342,094	6,643,114	9,864,501	2,570,337	1,422,644	603,272	29,506,183

Excess (deficiency) of revenue over expenses	\$ (3,791)	(50,538)	(335,481)	(737,653)	739,670	(127,703)	1,161,293	\$ 645,797
--	------------	----------	-----------	-----------	---------	-----------	-----------	------------

	Social Assistance	Health	Education	General Band Support	Capital	Consolidated Entities	Reserves and Reserve Funds	2018 Consolidated Total
Revenue:								
Indigenous Services Canada	\$ -	116,460	5,577,823	5,162,660	1,286,613	-	-	\$ 12,143,556
Health Canada	-	2,440,870	-	24,000	-	-	-	2,464,870
Ontario First Nations Limited Partnership	-	-	-	-	-	-	1,370,841	1,370,841
Canada Mortgage and Housing Corporation	-	-	-	9,975	905,225	-	-	915,200
Other	2,241,161	2,575,450	469,759	3,808,923	3,188,516	1,531,612	23,439	13,638,860
	2,241,161	5,132,780	6,047,582	8,805,558	5,380,354	1,531,612	1,394,280	30,533,327

	Social Assistance	Health	Education	General Band Support	Capital	Consolidated Entities	Reserves and Reserve Funds	2018 Consolidated Total
Expenses:								
Salaries and benefits	287,657	2,649,961	2,746,715	3,494,539	309,774	269,568	-	9,758,214
Materials, supplies and subcontracts	36,993	576,299	184,243	1,106,295	2,263,037	-	-	4,166,867
Professional fees	3,045	85,822	387,702	2,558,311	215,736	126,145	-	3,376,761
Interest on long-term debt	-	-	-	3,475	183,021	7,465	-	193,961
Other	1,913,466	1,846,791	3,699,220	1,538,695	1,152,571	1,643,778	391,528	12,186,049
	2,241,161	5,158,873	7,017,880	8,701,315	4,124,139	2,046,956	391,528	29,681,852

Excess (deficiency) of revenue over expenses	\$ -	(26,093)	(970,298)	104,243	1,256,215	(515,344)	1,002,752	\$ 851,475
--	------	----------	-----------	---------	-----------	-----------	-----------	------------