

Consolidated Financial Statements of

**SAGAMOK ANISHNAWBEK**

And Independent Auditors' Report thereon

Year ended March 31, 2020

## **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.

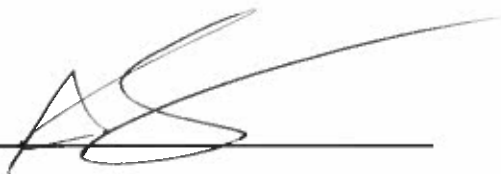
The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Consolidated financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management 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.

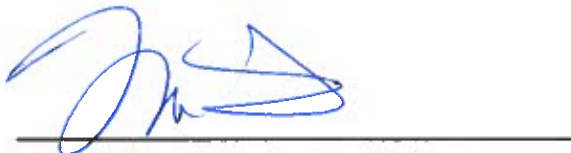
Sagamok is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements.

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.

A handwritten signature in black ink, consisting of a large, stylized 'A' followed by a long horizontal stroke.

Chief

A handwritten signature in blue ink, consisting of a large, stylized 'D' followed by a horizontal stroke.

Director of Operations



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## 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, 2020
- 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, 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.

*KPMG LLP*

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Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada

September 30, 2020

# SAGAMOK ANISHNAWBEK

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Year ended March 31, 2020

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## **Consolidated Financial Statements**

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# SAGAMOK ANISHNAWBEK

## Consolidated Statement of Financial Position

March 31, 2020, with comparative information for 2019

	2020	2019
<b>Financial Assets</b>		
Cash	\$ 5,136,850	\$ 2,181,771
Restricted cash	1,928,334	1,959,239
Accounts receivable	2,971,502	4,861,003
Investments (note 2)	597,310	608,117
Investment in First Nation business enterprise (note 3)	1,710,896	290,966
	12,344,892	9,901,096
<b>Financial Liabilities</b>		
Bank indebtedness	265,000	275,000
Accounts payable and accrued liabilities	2,692,997	3,829,672
Deferred revenue	6,378,896	2,863,517
Long-term debt (note 5)	13,704,237	13,490,407
	23,041,130	20,458,596
Net financial assets (net debt)	(10,696,238)	(10,557,500)
<b>Non-Financial Assets</b>		
Prepaid expenses	350,104	145,558
Tangible capital assets (note 4)	31,342,288	31,069,388
	31,692,392	31,214,946
Contingent liabilities (note 8)		
Effects of COVID-19 (note 12)		
Accumulated surplus (note 6)	\$ 20,996,154	\$ 20,657,446

See accompanying notes to consolidated financial statements.

Approved on behalf of Council:

  
\_\_\_\_\_  
Chief

  
\_\_\_\_\_  
Director of Operations

# SAGAMOK ANISHNAWBEK

## Consolidated Statement of Operations

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

	2020	2019
Revenue:		
Indigenous Services Canada (note 11)	\$ 13,462,414	\$ 10,121,068
North Shore Tribal Council	1,742,735	3,055,582
Health Canada	-	2,489,688
Ontario First Nations Limited Partnership	1,513,481	1,738,770
Ministry of Education	569,295	640,634
Canada Mortgage and Housing Corporation	871,010	802,126
Other	11,075,396	11,013,146
Share of earnings from First Nation enterprises (note 3)	1,419,930	290,966
	30,654,261	30,151,980
Expenses:		
Education	7,934,219	6,643,114
Medical Services	7,111,775	6,342,775
Band Government	3,442,829	3,286,596
Social Assistance - Income Support	1,413,589	2,060,221
Community Infrastructure	2,461,900	1,877,203
Sagamok Development Corporation	883,125	1,018,237
Community Housing	1,586,215	1,402,756
Housing Renovations	452,237	311,702
Ritchie Falls	514,155	478,088
Day Nursery Program	704,223	649,369
Land and Environment - Mining Support	566,607	541,132
Land and Environment	486,029	555,280
Aboriginal Skills and Employment Training Strategy - Employment Strategy	486,204	603,285
Housing Administration	474,538	412,130
Restricted Funds	285,682	603,272
MTO Settlement	14,286	22,063
Employment Programs	122,553	194,951
Infrastructure Expansion / Minor Capital	311,093	240,876
Business Enterprises	338,203	387,932
Economic Development	224,784	1,048,045
Seniors Complex	158,731	176,305
First Nations Child Care Initiative	77,026	133,919
Aboriginal Skills and Employment Training Strategy - Employment Insurance	150,163	145,836
Lottery Operations	-	21,646
Community Hall Operations	47,802	33,916
Federal School Capital	43,680	40,215
Fisheries	23,905	26,000
School Feasibility Study	-	30,000
Pulpwood operations	-	219,319
	30,315,553	29,506,183
Excess of revenue over expenses	338,708	645,797
Accumulated surplus, beginning of year	20,657,446	20,011,649
Accumulated surplus, end of year	\$ 20,996,154	\$ 20,657,446

See accompanying notes to consolidated financial statements.



# SAGAMOK ANISHNAWBEK

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

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

	2020	2019
Excess of revenue over expenses	\$ 338,708	\$ 645,797
Acquisition of tangible capital assets	(2,295,545)	(4,971,655)
Amortization of tangible capital assets	2,022,645	1,833,407
	65,808	(2,492,451)
Use of prepaid expenses	145,558	183,331
Acquisition of prepaid expenses	(350,104)	(145,558)
Change in net financial assets (net debt)	(138,738)	(2,454,678)
Net debt, beginning of year	(10,557,500)	(8,102,822)
Net debt, end of year	\$ (10,696,238)	\$ (10,557,500)

See accompanying notes to consolidated financial statements.

# SAGAMOK ANISHNAWBEK

## Consolidated Statement of Cash Flows

Year end March 31, 2020 with comparative information for 2019

	2020	2019
Cash flows from operating activities:		
Excess of revenue over expenses	\$ 338,708	\$ 645,797
Adjustment for:		
Amortization of tangible capital assets	2,022,645	1,833,407
Increase in investment in business enterprise	(1,419,930)	(290,965)
	941,423	2,188,239
Change in non-cash working capital:		
Decrease (increase) in accounts receivable	1,889,501	(959,636)
Decrease (increase) in prepaid expenses	(204,546)	37,773
Increase (decrease) in accounts payable and accrued liabilities	(1,136,675)	2,004,046
Increase in deferred revenue	3,515,379	1,793,593
	5,005,082	5,064,015
Cash flow from financing activities:		
Long-term debt issued	1,192,641	2,258,853
Principal payments on long-term debt	(978,811)	(763,175)
	213,830	1,495,678
Cash flows from capital activity:		
Purchase of tangible capital assets	(2,295,545)	(4,971,655)
Cash flow from investing activities:		
Increase (decrease) in investments	10,807	(60,920)
Net increase in cash	2,934,174	1,527,118
Cash, beginning of year	3,866,010	2,338,892
Cash, end of year	\$ 6,800,184	\$ 3,866,010
Represented by:		
Cash	\$ 5,136,850	\$ 2,181,771
Bank indebtedness	(265,000)	(275,000)
Restricted cash	1,928,334	1,959,239
	\$ 6,800,184	\$ 3,866,010

See accompanying notes to consolidated financial statements.

# SAGAMOK ANISHNAWBEK

## Notes to Consolidated Financial Statements

Year ended March 31, 2020

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### 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")

2344827 Ontario Inc. (Operating as "Ritchie Falls Resort", "RFR")

Organizations accounted for on a modified equity basis include:

Z'Gamok Enterprises LP

Z'Gamok Construction 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, 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 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, 2020

### 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:

	2020	2019
Knowledge First Financial Education Fund	\$ 597,309	\$ 608,116
Manitoulin Hotel Project	1	1
	\$ 597,310	\$ 608,117

# SAGAMOK ANISHNAWBEK

## Notes to Consolidated Financial Statements

Year ended March 31, 2020

### 3. Investment in First Nation business enterprises:

The First Nation has a direct 100% interest in Z'Gamok Enterprises LP (ZEI LP) and Z'Gamok Construction LP (ZCLP). Both entities are engaged primarily in contracted services for mining, ore hauling, snow removal and custodial services.

The following table presents condensed supplementary financial information of First Nation business enterprises for the year ended March 31, 2020:

	ZEI LP	ZC LP	Total 2020	Total 2019
Financial position:				
Current assets	\$ 2,189,514	3,363,550	5,553,064	2,923,267
Non-current assets	-	2,861,300	2,861,300	-
Total assets	2,189,514	6,224,850	8,414,364	2,923,267
Current liabilities	220,906	2,919,136	3,140,042	2,280,896
Non-current liabilities	1,336,579	2,226,847	3,563,426	351,405
Total liabilities	1,557,485	5,145,983	6,703,468	2,632,301
Retained earnings	\$ 632,029	1,078,867	1,710,896	290,966
Results of operations:				
Revenues	\$ 1,326,090	8,891,898	10,217,988	1,993,694
Expenses	985,086	7,812,972	8,798,058	1,702,728
	\$ 341,004	1,078,926	1,419,930	290,966

# SAGAMOK ANISHNAWBEK

## Notes to Consolidated Financial Statements

Year ended March 31, 2020

### 4. Tangible capital assets:

Cost	Balance at March 31, 2019	Additions	Disposals	Balance at March 31, 2020
Land and land improvements	\$ 622,573	\$ -	\$ -	\$ 622,573
Buildings	37,512,430	1,334,455	-	38,846,885
Furniture and equipment	1,242,668	10,318	-	1,252,986
Vehicles	1,920,307	190,200	-	2,110,507
Machinery and equipment	2,093,127	680,047	-	2,773,174
Roads infrastructure	6,734,528	-	-	6,734,528
Water and sewer infrastructure	2,237,960	-	-	2,237,960
Computer	761,741	80,525	-	842,266
<b>Total</b>	<b>\$ 53,125,334</b>	<b>\$ 2,295,545</b>	<b>\$ -</b>	<b>\$ 55,420,879</b>

Accumulated Amortization	Balance at March 31, 2019	Amortization	Disposals	Balance at March 31, 2020
Land and land improvements	\$ 189,711	\$ 13,665	\$ -	\$ 203,376
Buildings	13,724,744	1,132,652	-	14,857,396
Furniture and equipment	666,323	118,875	-	785,198
Vehicles	1,200,260	335,528	-	1,535,788
Machinery and equipment	288,915	136,130	-	425,045
Roads infrastructure	4,270,391	149,450	-	4,419,841
Water and sewer infrastructure	1,092,634	58,487	-	1,151,121
Computer	622,968	77,858	-	700,826
<b>Total</b>	<b>\$ 22,055,946</b>	<b>\$ 2,022,645</b>	<b>\$ -</b>	<b>\$ 24,078,591</b>

	Net book value, March 31, 2019	Net book value, March 31, 2020
Land and land improvements	\$ 432,862	\$ 419,197
Buildings	23,787,686	23,989,489
Furniture and equipment	576,345	467,788
Vehicles	720,047	574,719
Machinery and equipment	1,804,212	2,348,129
Roads infrastructure	2,464,137	2,314,687
Water and sewer infrastructure	1,145,326	1,086,839
Computer	138,773	141,440
<b>Total</b>	<b>\$ 31,069,388</b>	<b>\$ 31,342,288</b>

# SAGAMOK ANISHNAWBEK

## Notes to Consolidated Financial Statements

Year ended March 31, 2020

### 4. Tangible capital assets (continued):

Cost	Balance at March 31, 2018	Additions	Disposals	Balance at March 31, 2019
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
<b>Total</b>	<b>\$ 48,153,679</b>	<b>\$ 4,971,655</b>	<b>\$ -</b>	<b>\$ 53,125,334</b>

Accumulated Amortization	Balance at March 31, 2018	Amortization	Disposals	Balance at March 31, 2019
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
<b>Total</b>	<b>\$ 20,222,539</b>	<b>\$ 1,833,407</b>	<b>\$ -</b>	<b>\$ 22,055,946</b>

	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
<b>Total</b>	<b>\$ 27,931,140</b>	<b>\$ 31,069,388</b>



# SAGAMOK ANISHNAWBEK

## Notes to Consolidated Financial Statements

Year ended March 31, 2020

### 5. Long-term debt:

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

	2020	2019
Mortgage payable to Canada Mortgage and Housing Corporation in monthly payments of \$2,724 including interest at 1.43%, due April 2022	\$ 67,054	\$ 98,535
Mortgage payable to Royal Bank of Canada in monthly payments of \$2,350 including interest at 3.48%, due February 2023	75,820	100,891
Mortgage payable to Canada Mortgage and Housing Corporation in monthly payments of \$2,704 including interest at 2.50%, due June 2023	101,193	130,712
Mortgage payable to Canada Mortgage and Housing Corporation in monthly payments of \$9,397 including interest at 1.12%, due May 2020	521,387	627,665
Mortgage payable to Canada Mortgage and Housing Corporation in monthly payments of \$7,583 including interest at 1.01%, due February 2021	508,100	593,491
Mortgage payable to Canada Mortgage and Housing Corporation in monthly payments of \$4,733 including interest at 2.50%, due June 2023	415,509	461,323
Mortgage payable to Canada Mortgage and Housing Corporation in monthly payments of \$3,029 including interest at 1.03%, due October 2021	394,073	426,180
Mortgage payable to Canada Mortgage and Housing Corporation in monthly payments of \$3,132 including interest at 1.30%, due June 2022	425,540	457,373
Mortgage payable to Canada Mortgage and Housing Corporation in monthly payments of \$5,568 including interest at 2.68%, due October 2023	749,054	795,185
Mortgage payable to Canada Mortgage and Housing Corporation, in monthly payments of \$4,773 including interest at 1.39%, due June 2020	786,917	832,913
Mortgage payable to Canada Mortgage and Housing Corporation, in monthly payments of \$2,603 including interest at 1.86%, due April 2024	501,779	523,390
Mortgage payable to Canada Mortgage and Housing Corporation in monthly payments of \$2,190 including interest at 1.01%, due February 2021	384,453	406,729
TD Bank loan – John Deere Grader with monthly principal payments of \$2,042 plus interest at 4.086%, due September 2020	11,769	34,584
Mortgage payable to Canada Mortgage and Housing Corporation in monthly payments of \$1,942 including interest at 1.48%, due January 2022	347,245	365,274
Mortgage payable to Canada Mortgage and Housing Corporation in monthly payments of \$3,762 including interest at 1.97%, due December 2022	676,175	707,684
Brought forward	\$ 5,966,068	\$ 6,561,929

# SAGAMOK ANISHNAWBEK

## Notes to Consolidated Financial Statements

Year ended March 31, 2020

### 5. Long-term debt (continued):

	2020	2019
Carried forward	\$ 5,966,068	\$ 6,561,929
Term loan payable to Royal Bank of Canada in monthly payments of \$2,904 including interest at 4.60%, due October 2021	87,456	117,501
Mortgage payable to Canada Mortgage and Housing Corporation in monthly payments of \$2,649 including interest at 1.37%, due July 2020	564,181	588,071
Mortgage payable to Canada Mortgage and Housing Corporation in monthly payments of \$2,807 including interest at 1.37%, due July 2020	597,713	623,023
TD term loan for Dodge Truck with monthly payments of \$710 including interest at 3.58%, due February 2021	7,674	15,755
TD term loan for Vehicle Fleet with monthly payments of \$3,015 including interest at 4.36%, due March 2022	129,947	162,907
TD term loan for Rental Building with monthly payments of \$1,728 including interest at 4.28%, due May 2031	183,856	196,408
Mortgage payable to Canada Mortgage and Housing Corporation in monthly payments of \$4,750 including interest at 1.84%, due September 2022	1,050,194	1,087,523
Mortgage payable to Canada Mortgage and Housing Corporation in monthly payments of \$7,720 including interest at 2.49%, due May 2023	1,631,791	1,683,214
TD term loan for Vehicle with monthly payments of \$619 including interest at 4.72%, due May 2024	28,026	34,915
Mortgage payable to Canada Mortgage and Housing Corporation in monthly payments of \$11,526 including interest at 1.91%, due June 2024	2,685,110	2,207,298
Waubetek term loan, with deferred monthly payments of \$1,432 beginning July 7th, 2020, interest free, due June 7, 2022	38,666	51,555
RBC line of credit for Ritchie Falls operations, with monthly payments of \$2,893 including interest at prime+1.81%, due on demand	93,163	160,308
TD term loan for Equipment with monthly payments of \$7,959 including interest at 4.36%, due July 2026	537,392	—
TD loan for Building repairs with no monthly payments but interest at 1.50%, due July 2020	103,000	—
	\$ 13,704,237	\$ 13,490,407

# SAGAMOK ANISHNAWBEK

## Notes to Consolidated Financial Statements

Year ended March 31, 2020

### 5. Long-term debt (continued):

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

2021	\$ 4,305,693
2022	1,361,612
2023	2,378,026
2024	2,569,699
2025	2,837,450
Thereafter	251,757

### 6. Accumulated surplus:

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

	2020	2019
<b>Surplus:</b>		
Invested in tangible capital assets	\$ 17,638,050	\$ 17,856,790
Reserves and reserve funds	5,460,096	5,835,535
Restricted funds	1,656,742	1,273,958
Other	(3,758,734)	(4,308,837)
<b>Total surplus</b>	<b>\$ 20,996,154</b>	<b>\$ 20,657,446</b>

### 7. Replacement reserve funds:

The terms of the CMHC agreement require that the replacement reserves be funded in the amount of \$1,014,395 (2019 - \$1,036,176). At March 31, 2020, the reserve fund accounts are underfunded by \$97,293 (2019 - \$51,899).

# SAGAMOK ANISHNAWBEK

## Notes to Consolidated Financial Statements

Year ended March 31, 2020

### 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 Services Canada (ISC) 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, 2020, its proportional outstanding loan balance as part of the Trust is \$514,750 (2019 - \$514,750).

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

### 9. Comparative information:

Certain 2019 comparative information have been reclassified to conform to the presentation adopted in 2020.

### 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:

	2020	2019
Revenue as reported	\$ 13,462,414	\$ 10,121,068
Less: prior year deferred revenue	(1,448,324)	(32,454)
Add: ending deferred revenue	4,889,610	1,448,324
Less: prior year funding set-off	(126,713)	—
Revenue per funding confirmation	\$ 16,776,987	\$ 11,536,938

# SAGAMOK ANISHNAWBEK

Notes to Consolidated Financial Statements

Year ended March 31, 2020

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## 12. Effects of COVID-19

On March 11, 2020, the COVID-19 outbreak was declared a pandemic 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 the 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 slowdown. 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 economic 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.

## 13. 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.

# **SAGAMOK ANISHNAWBEK**

## **Notes to Consolidated Financial Statements**

Year ended March 31, 2020

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### **13. Segmented Information (continued):**

#### **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.

#### **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, 2020

### 13. Segmented information (continued):

	Social Assistance	Health	Education	General Band Support	Capital	Consolidated Entities	Reserves and Reserve Funds	2020 Consolidated Total
<b>Revenue:</b>								
Indigenous Services Canada	\$ -	2,748,578	6,938,886	3,594,427	180,523	-	-	\$ 13,462,414
Ontario First Nations Limited Partnership	-	-	-	-	-	-	1,513,481	1,513,481
Canada Mortgage and Housing Corporation	-	-	-	6,400	884,610	-	-	871,010
Other	989,720	4,182,019	891,684	5,511,810	2,167,905	1,044,115	20,123	14,807,358
	989,720	6,930,597	7,830,550	9,112,637	3,213,038	1,044,115	1,533,604	30,654,261
<b>Expenses:</b>								
Salaries and benefits	272,371	3,678,083	2,891,508	4,222,608	208,060	155,663	-	11,428,273
Materials, supplies and subcontracts	38,042	889,124	177,712	1,841,751	1,154,908	-	-	4,101,537
Professional fees	-	179,905	719,466	778,257	345,550	21,384	-	2,044,562
Interest on long-term debt	-	-	-	4,190	280,729	1,903	-	286,822
Other	1,103,176	2,364,683	4,145,533	1,967,988	1,460,661	1,126,836	285,682	12,454,359
	1,413,589	7,111,775	7,934,219	8,814,794	3,449,908	1,305,586	285,682	30,315,553
Excess (deficiency) of revenue over expenses	\$ (423,869)	(181,178)	(103,669)	297,843	(236,870)	(261,471)	1,247,922	\$ 338,708

	Social Assistance	Health	Education	General Band Support	Capital	Consolidated Entities	Reserves and Reserve Funds	2019 Consolidated Total
<b>Revenue:</b>								
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
<b>Expenses:</b>								
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

