

Consolidated Financial Statements of

SAGAMOK ANISHNAWBEK

And Independent Auditors' Report thereon

Year ended March 31, 2021

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

Chair of the Finance and Audit Committee

Director of Finance



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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, 2021
- 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 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, 2021, 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

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada
July 20, 2021

SAGAMOK ANISHNAWBEK

Index to Consolidated Financial Statements

Year ended March 31, 2021

Consolidated Financial Statements

Consolidated Statement of Financial Position	1
Consolidated Statement of Operations	2
Consolidated Statement of Changes in 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, 2021, with comparative information for 2020

	2021	2020
Financial Assets		
Cash	\$ 10,106,957	\$ 5,136,850
Restricted cash	2,289,330	1,928,334
Accounts receivable	1,435,150	2,971,502
Investments (note 2)	627,625	597,310
Investment in First Nation business enterprise (note 3)	4,469,693	1,710,896
	18,928,755	12,344,892
Financial Liabilities		
Bank indebtedness	162,035	265,000
Accounts payable and accrued liabilities	1,853,031	2,692,997
Deferred revenue	9,250,799	6,378,896
Long-term debt (note 5)	13,287,620	13,704,237
	24,553,485	23,041,130
Net debt	(5,624,730)	(10,696,238)
Non-Financial Assets		
Prepaid expenses	557,637	350,104
Tangible capital assets (note 4)	30,657,295	31,342,288
	31,214,932	31,692,392
Contingent liabilities (note 8)		
Accumulated surplus (note 6)	\$ 25,590,202	\$ 20,996,154

See accompanying notes to consolidated financial statements.

Approved on behalf of Council:

Chief

Chair of the Finance and Audit Committee

Director of Finance

SAGAMOK ANISHNAWBEK

Consolidated Statement of Operations

Year end March 31, 2021, with comparative information for 2020

	2021	2020
Revenue:		
Indigenous Services Canada (note 10)	\$ 18,842,758	\$ 13,462,414
North Shore Tribal Council	1,133,986	1,742,735
Ontario First Nations Limited Partnership	1,473,654	1,513,481
Ministry of Education	582,358	569,295
Canada Mortgage and Housing Corporation	1,088,135	871,010
Other	10,765,971	11,075,396
<u>Share of earnings from First Nation enterprises (note 3)</u>	<u>2,398,963</u>	<u>1,419,930</u>
	36,285,825	30,654,261
Expenses:		
Education	9,221,615	7,934,219
Medical Services	8,263,664	7,111,775
Band Government	3,432,629	3,442,829
Social Assistance - Income Support	62,569	1,413,589
Community Infrastructure	2,538,731	2,461,900
Sagamok Development Corporation	386,465	883,125
Community Housing	1,526,722	1,586,215
Housing Renovations	532,126	452,237
Ritchie Falls	487,987	514,155
Day Nursery Program	733,999	704,223
Land and Environment - Mining Support	750,995	566,607
Land and Environment	120,415	486,029
Aboriginal Skills and Employment Training Strategy - Employment Strategy	508,706	486,204
Housing Administration	447,988	474,538
Restricted Funds	654,515	285,682
MTO Settlement	-	14,286
Employment Programs	183,128	122,553
Infrastructure Expansion / Minor Capital	265,475	311,093
Business Enterprises	176,726	338,203
Economic Development	504,649	224,784
Seniors Complex	194,138	158,731
First Nations Child Care Initiative	304,597	77,026
Aboriginal Skills and Employment Training Strategy - Employment Insurance	115,891	150,163
Lottery and Funeral Operations	49,324	-
Community Hall Operations	51,368	47,802
Federal School Capital	32,056	43,680
Fisheries	25,000	23,905
On-Reserve Housing	120,299	-
	31,691,777	30,315,553
 Excess of revenue over expenses	 4,594,048	 338,708
 Accumulated surplus, beginning of year	 20,996,154	 20,657,446
 <u>Accumulated surplus, end of year</u>	 <u>\$ 25,590,202</u>	 <u>\$ 20,996,154</u>

See accompanying notes to consolidated financial statements.

SAGAMOK ANISHNAWBEK

Consolidated Statement of Changes in Net Debt

Year end March 31, 2021, with comparative information for 2020

	2021	2020
Excess of revenue over expenses	\$ 4,594,048	\$ 338,708
Acquisition of tangible capital assets	(1,319,612)	(2,295,545)
<u>Amortization of tangible capital assets</u>	<u>2,004,605</u>	<u>2,022,645</u>
	5,279,041	65,808
Use of prepaid expenses	350,104	145,558
Acquisition of prepaid expenses	(557,637)	(350,104)
Change in net financial assets (net debt)	5,071,508	(138,738)
Net debt, beginning of year	(10,696,238)	(10,557,500)
<u>Net debt, end of year</u>	<u>\$ (5,624,730)</u>	<u>\$ (10,696,238)</u>

See accompanying notes to consolidated financial statements.

SAGAMOK ANISHNAWBEK

Consolidated Statement of Cash Flows

Year end March 31, 2021 with comparative information for 2020

	2021	2020
Cash flows from operating activities:		
Excess of revenue over expenses	\$ 4,594,048	\$ 338,708
Adjustment for:		
Amortization of tangible capital assets	2,004,605	2,022,645
Increase in investment in business enterprise	<u>(2,758,797)</u>	<u>(1,419,930)</u>
	3,839,856	941,423
Change in non-cash working capital:		
Decrease in accounts receivable	1,536,352	1,889,501
Increase in prepaid expenses	(207,533)	(204,546)
Decrease in accounts payable and accrued liabilities	(839,966)	(1,136,675)
Increase in deferred revenue	<u>2,871,903</u>	<u>3,515,379</u>
	7,200,612	5,005,082
Cash flow from financing activities:		
Long-term debt issued	566,250	1,192,641
Principal payments on long-term debt	<u>(982,867)</u>	<u>(978,811)</u>
	(416,617)	213,830
Cash flows from capital activity:		
Purchase of tangible capital assets	(1,319,612)	(2,295,545)
Cash flow from investing activities:		
Decrease (increase) in investments	(30,315)	10,807
Net increase in cash	5,434,068	2,934,174
Cash, beginning of year	6,800,184	3,866,010
Cash, end of year	\$ 12,234,252	\$ 6,800,184
Represented by:		
Cash	\$ 10,106,957	\$ 5,136,850
Bank indebtedness	(162,035)	(265,000)
Restricted cash	2,289,330	1,928,334
	<u>\$ 12,234,252</u>	<u>\$ 6,800,184</u>

See accompanying notes to consolidated financial statements.

SAGAMOK ANISHNAWBEK

Notes to Consolidated Financial Statements

Year ended March 31, 2021

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, 2021

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, 2021

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:

	2021	2020
Knowledge First Financial Education Fund	\$ 627,623	\$ 597,308
Manitoulin Hotel Project	1	1
Robinson Huron Forestry Company Inc.	1	1
<hr/>		\$ 627,625 \$ 597,310

SAGAMOK ANISHNAWBEK

Notes to Consolidated Financial Statements

Year ended March 31, 2021

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, 2021:

	ZEI LP	ZC LP	Total 2021	Total 2020
Financial position:				
Current assets	\$ 1,232,783	\$ 3,064,326	\$ 4,297,109	\$ 5,553,064
Non-current assets	-	3,684,472	3,684,472	2,861,300
Total assets	1,232,783	6,748,798	7,981,581	8,414,364
Current liabilities	37,018	2,266,875	2,303,893	3,140,042
Non-current liabilities	-	1,207,995	1,207,995	3,563,426
Total liabilities	37,018	3,474,870	3,511,888	6,703,468
Retained earnings	\$ 1,195,765	\$ 3,273,928	\$ 4,469,693	\$ 1,710,896
Results of operations:				
Revenues	\$ 817,872	\$ 12,829,209	\$ 13,647,081	\$ 10,217,988
Expenses	613,970	10,634,148	11,248,118	8,798,058
	\$ 203,902	\$ 2,195,061	\$ 2,398,963	\$ 1,419,930

SAGAMOK ANISHNAWBEK

Notes to Consolidated Financial Statements

Year ended March 31, 2021

4. Tangible capital assets:

Cost	Balance at March 31, 2020	Additions	Disposals	Balance at March 31, 2021
Land and land improvements	\$ 622,573	\$ -	\$ -	\$ 622,573
Buildings	38,846,885	842,539	-	39,689,424
Furniture and equipment	1,252,986	-	-	1,252,986
Vehicles	2,110,507	137,600	-	2,248,107
Machinery and equipment	2,773,174	168,582	-	2,941,756
Roads infrastructure	6,734,528	155,663	-	6,890,191
Water and sewer infrastructure	2,237,960	-	-	2,237,960
Computer	842,266	15,228	-	857,494
Total	\$ 55,420,879	\$ 1,319,612	\$ -	\$ 56,740,491
Accumulated Amortization	Balance at March 31, 2020	Amortization	Disposals	Balance at March 31, 2021
Land and land improvements	\$ 203,376	\$ 16,619	\$ -	\$ 219,995
Buildings	14,857,396	1,138,795	-	15,996,191
Furniture and equipment	785,198	105,606	-	890,804
Vehicles	1,535,788	267,347	-	1,803,135
Machinery and equipment	425,045	199,500	-	624,545
Roads infrastructure	4,419,841	147,739	-	4,567,580
Water and sewer infrastructure	1,151,121	57,934	-	1,209,055
Computer	700,826	71,065	-	771,891
Total	\$ 24,078,591	\$ 2,004,605	\$ -	\$ 26,083,196
	Net book value, March 31, 2020		Net book value, March 31, 2021	
Land and land improvements	\$ 419,197		\$ 402,578	
Buildings	23,989,489		23,693,233	
Furniture and equipment	467,788		362,182	
Vehicles	574,719		444,972	
Machinery and equipment	2,348,129		2,317,211	
Roads infrastructure	2,314,687		2,322,611	
Water and sewer infrastructure	1,086,839		1,028,905	
Computer	141,440		85,603	
Total	\$ 31,342,288		\$ 30,657,295	

SAGAMOK ANISHNAWBEK

Notes to Consolidated Financial Statements

Year ended March 31, 2021

4. Tangible capital assets (continued):

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
Total	\$ 53,125,334	\$ 2,295,545	\$ -	\$ 55,420,879
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
Total	\$ 22,055,946	\$ 2,022,645	\$ -	\$ 24,078,591
	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
Total	\$ 31,069,388			\$ 31,342,288

SAGAMOK ANISHNAWBEK

Notes to Consolidated Financial Statements

Year ended March 31, 2021

5. Long-term debt:

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

	2021	2020
Mortgage payable to Canada Mortgage and Housing Corporation in monthly payments of \$2,724 including interest at 1.43%, due April 2022	\$ 35,160	\$ 67,054
Mortgage payable to Royal Bank of Canada in monthly payments of \$2,350 including interest at 3.48%, due February 2023	62,935	75,820
Mortgage payable to Canada Mortgage and Housing Corporation in monthly payments of \$2,704 including interest at 2.50%, due June 2023	71,070	101,193
Mortgage payable to Canada Mortgage and Housing Corporation in monthly payments of \$9,304 including interest at 0.65%, due December 2024	413,729	521,387
Mortgage payable to Canada Mortgage and Housing Corporation in monthly payments of \$7,456 including interest at 0.32%, due August 2021	421,836	508,100
Mortgage payable to Canada Mortgage and Housing Corporation in monthly payments of \$4,733 including interest at 2.50%, due June 2023	369,273	415,509
Mortgage payable to Canada Mortgage and Housing Corporation in monthly payments of \$3,029 including interest at 1.03%, due October 2021	361,930	394,073
Mortgage payable to Canada Mortgage and Housing Corporation in monthly payments of \$3,132 including interest at 1.30%, due June 2022	393,700	425,540
Mortgage payable to Canada Mortgage and Housing Corporation in monthly payments of \$5,568 including interest at 2.68%, due October 2023	703,175	749,054
Mortgage payable to Canada Mortgage and Housing Corporation, in monthly payments of \$4,557 including interest at 0.76%, due December 2025	738,790	786,917
Mortgage payable to Canada Mortgage and Housing Corporation, in monthly payments of \$2,603 including interest at 1.86%, due April 2024	464,922	501,779
Mortgage payable to Canada Mortgage and Housing Corporation in monthly payments of \$2,082 including interest at 0.32%, due August 2021	361,949	384,453
TD Bank loan – John Deere Grader with monthly principal payments of \$2,042 plus interest at 4.086%, matured in September 2020	–	11,769
Mortgage payable to Canada Mortgage and Housing Corporation in monthly payments of \$1,942 including interest at 1.48%, due January 2022	329,337	347,245
Mortgage payable to Canada Mortgage and Housing Corporation in monthly payments of \$3,762 including interest at 1.97%, due December 2022	645,055	676,175
 Brought forward	 \$ 5,372,861	 \$ 5,966,068

SAGAMOK ANISHNAWBEK

Notes to Consolidated Financial Statements

Year ended March 31, 2021

5. Long-term debt (continued):

	2021	2020
Carried forward	\$ 5,372,861	\$ 5,966,068
Term loan payable to Royal Bank of Canada in monthly payments of \$2,904 including interest at 4.60%, due October 2021	57,412	87,456
Mortgage payable to Canada Mortgage and Housing Corporation in monthly payments of \$2,491 including interest at 0.73%, due July 2025	539,202	564,181
Mortgage payable to Canada Mortgage and Housing Corporation in monthly payments of \$2,639 including interest at 0.73%, due July 2025	571,249	597,713
TD term loan for Dodge Truck with monthly payments of \$710 including interest at 3.58%, matured in February 2021	–	7,674
TD term loan for Vehicle Fleet with monthly payments of \$3,015 including interest at 4.36%, due March 2022	101,508	129,947
TD term loan for Rental Building with monthly payments Of \$1,728 including interest at 4.28%, due May 2031	170,775	183,856
Mortgage payable to Canada Mortgage and Housing Corporation in monthly payments of \$4,750 including interest at 1.84%, due September 2022	1,013,663	1,050,194
Mortgage payable to Canada Mortgage and Housing Corporation in monthly payments of \$7,720 including interest at 2.49%, due May 2023	1,582,215	1,631,791
TD term loan for Vehicle with monthly payments of \$619 including interest at 4.72%, due May 2024	21,795	28,026
Mortgage payable to Canada Mortgage and Housing Corporation in monthly payments of \$11,526 including interest at 1.91%, due June 2024	2,601,205	2,685,110
Waubetek term loan, with deferred monthly payments of \$1,432 beginning July 7th, 2020, interest free, due June 7, 2023	38,666	38,666
RBC demand loan for operations, with monthly payments of \$2,893 Including interest at prime+1.81%, due on demand	62,042	93,163
RBC demand loan for vehicle, with monthly payments of \$838 including interest at 4.50%, due on demand	23,051	–
TD term loan for Equipment with monthly payments of \$7,959 including interest at 4.36%, due July 2026	462,726	537,392
TD loan for Building repairs with no monthly payments but interest at 1.50%, due July 2021	103,000	103,000
Mortgage payable to Canada Mortgage and Housing Corporation, terms to be settled upon completion of related construction project	566,250	–
	<hr/> \$ 13,287,620	<hr/> \$ 13,704,237

SAGAMOK ANISHNAWBEK

Notes to Consolidated Financial Statements

Year ended March 31, 2021

5. Long-term debt (continued):

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

2022	\$ 3,289,211
2023	2,631,725
2024	2,779,247
2025	2,992,839
2026	1,516,833
Thereafter	77,765

6. Accumulated surplus:

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

	2021	2020
Surplus:		
Invested in tangible capital assets	\$ 17,369,675	\$ 17,638,050
Reserves and reserve funds	6,638,025	5,460,096
Restricted funds	2,114,634	1,656,742
Other	(532,132)	(3,758,734)
Total surplus	\$ 25,590,202	\$ 20,996,154

7. Replacement reserve funds:

The terms of the CMHC agreement require that the replacement reserves be funded in the amount of \$1,008,335 (2020 - \$1,014,395). At March 31, 2021, the reserve fund accounts are underfunded by \$62,013 (2020 - \$97,293).

SAGAMOK ANISHNAWBEK

Notes to Consolidated Financial Statements

Year ended March 31, 2021

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, 2021, its proportional outstanding loan balance as part of the Trust is \$514,750 (2020 - \$514,750).

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

- (e) The First Nation is involved in a certain legal matter and litigation, the outcome of which is not presently determinable. The loss, if any, from this litigation will be accounted for in the period in which the matter is resolved.

9. Comparative information:

Certain 2020 comparative information have been reclassified to conform to the presentation adopted in 2021.

10. Indigenous Services Canada:

	2021	2020
Revenue as reported	\$ 18,842,758	\$ 13,462,414
Less: prior year deferred revenue	(4,889,610)	(1,448,324)
Add: ending deferred revenue	5,885,011	4,889,610
Less: prior year funding set-off	(191,642)	(126,713)
 Revenue per funding confirmation	 \$ 19,646,517	 \$ 16,776,987

SAGAMOK ANISHNAWBEK

Notes to Consolidated Financial Statements

Year ended March 31, 2021

11. Concentration of risk:

The First Nation's main sources of revenue include government operating grants, other agency grants and subsidies and rental. In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This resulted in the Canadian and Provincial governments enacting emergency measures to combat the spread of the virus. The First Nation halted all in-person activity and closed its facilities to staff for a period of time and moved to delivery of essential services in a virtual environment based on recommendations from Public Health Ontario.

The impact of COVID-19 is expected to negatively impact operations for a duration that cannot be reasonably predicted. The further overall operational and financial impact is highly dependent on the duration of COVID-19, including the potential occurrence of additional waves of the pandemic, and could be affected by other factors that are currently not known at this time. Management is actively monitoring the effect of the pandemic on its financial condition, liquidity, operations, suppliers, and workforce. Given the daily evolution of the pandemic and the global responses to curb its spread, the First Nation is not able to fully estimate the effects of the pandemic on its results of operations, financial condition, or liquidity at this time.

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.

SAGAMOK ANISHNAWBEK

Notes to Consolidated Financial Statements

Year ended March 31, 2021

12. 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, 2021

12. Segmented information (continued):

	Social Assistance	Health	Education	General Band Support	Capital	Consolidated Entities	Reserves and Reserve Funds	2021 Consolidated Total
Revenue:								
Indigenous Services Canada	\$ -	4,670,418	8,742,716	4,605,502	824,122	-	\$ -	\$ 18,842,758
Ontario First Nations Limited Partnership	-	-	-	-	-	-	1,473,654	1,473,654
Canada Mortgage and Housing Corporation	-	-	-	-	1,088,135	-	-	1,088,135
Other	406,663	3,617,399	1,510,847	6,754,523	1,854,197	712,266	25,383	14,881,278
	406,663	8,287,817	10,253,563	11,360,025	3,766,454	712,266	# 1,499,037	36,285,825
Expenses:								
Salaries and benefits	23,258	4,276,740	2,904,124	4,429,770	374,819	187,844	-	12,196,555
Materials, supplies and subcontracts	30,256	1,100,087	325,955	1,259,363	1,174,102	128,203	-	4,017,966
Professional fees	263	139,949	1,092,287	1,019,102	4,174	6,637	-	2,262,412
Interest on long-term debt	-	-	-	7,658	241,059	-	-	248,717
Other	8,792	2,746,888	4,899,249	2,583,482	1,521,433	551,768	654,515	12,966,127
	62,569	8,263,664	9,221,615	9,299,375	3,315,587	874,452	# 654,515	31,691,777
Excess (deficiency) of revenue over expenses	\$ 344,094	24,153	1,031,948	2,060,650	450,867	(162,186)	\$ 844,522	\$ 4,594,048

	Social Assistance	Health	Education	General Band Support	Capital	Consolidated Entities	Reserves and Reserve Funds	2020 Consolidated Total
Revenue:								
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	864,610	-	-	871,010
Other	989,720	4,182,019	891,664	5,511,810	2,167,905	1,044,115	20,123	14,807,356
	989,720	6,930,597	7,830,550	9,112,637	3,213,038	1,044,115	1,533,604	30,654,261
Expenses:								
Salaries and benefits	272,371	3,678,063	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	1,126,636	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

