

Consolidated Financial Statements of
AUNDECK-OMNI-KANING

Year ended March 31, 2019

AUNDECK-OMNI-KANING
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

INDEX

MANAGEMENT'S RESPONSIBILITY STATEMENT
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
CONSOLIDATED STATEMENT OF CASH FLOWS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT'S RESPONSIBILITY STATEMENT

The accompanying consolidated financial statements of Aundeck-Omni-Kaning are the responsibility of the First Nation's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies are described in Note 1 to these consolidated financial statements. The preparation of the consolidated financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

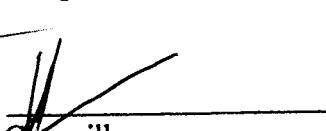
The Aundeck-Omni-Kaning's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Chief and Council meets with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

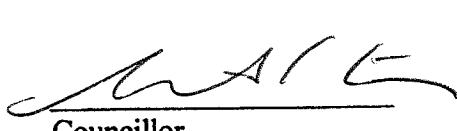
The consolidated financial statements have been audited by Freeland Caldwell Reilly LLP, independent external auditors appointed by the Aundeck-Omni-Kaning Chief and Council. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Aundeck-Omni-Kaning's consolidated financial statements.



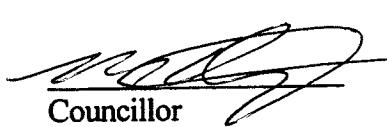
Chief



Councillor



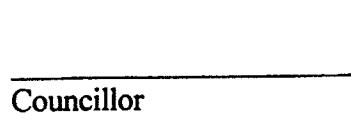
Councillor



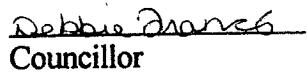
Councillor



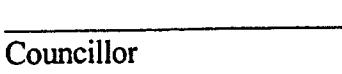
Councillor



Councillor



Councillor



Councillor

INDEPENDENT AUDITOR'S REPORT

To: **The Members of Aundeck-Omni-Kaning**

Opinion

We have audited the consolidated financial statements of the Aundeck-Omni-Kaning First Nation, which comprise the statement of financial position as at March 31, 2019, and the statements of operations and accumulated surplus, changes in net financial assets, and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Aundeck-Omni-Kaning First Nation as at March 31, 2019, and its financial performance and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the First Nation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the First Nation's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a

guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the First Nation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the First Nation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the First Nation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

FREELANDT CALDWELL REILLY LLP

Freelandt Caldwell Reilly LLP

Chartered Professional Accountants
Licensed Public Accountants

Sudbury, Canada
August 13, 2019

AUNDECK-OMNI-KANING

Consolidated Statement of Financial Position

March 31, 2019, with comparative figures for 2018

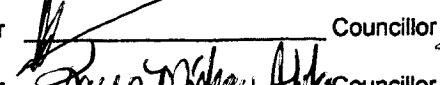
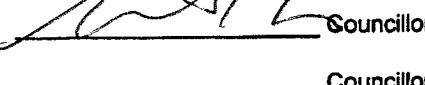
	2019	2018
Financial assets:		
Cash	\$ 5,425,417	\$ 2,400,980
Restricted cash - CMHC replacement and operating surplus reserves (note 2)	111,563	111,563
Funds held in trust by Indigenous and Northern Affairs Canada (note 3)	2,023	1,978
Accounts receivable	1,551,509	462,076
Band member loans (note 4)	95,919	308,657
Investment in Great Lakes Hospitality Group Limited Partnership (note 5)	1	1
Investment in UCCM Building Material Supply Company Ltd. (note 6)	312,274	294,849
Investment in Mnidoo Mnising Power Limited Partnership (note 7)	1	1
Investment in Ontario First Nation Sovereign Wealth L.P. (Note 8)	1	1
Investment in OFN Asset Management GP Corp. (Note 8)	1	1
Total financial assets	7,498,709	3,580,107
Financial liabilities:		
Accounts payable and accrued liabilities	370,783	385,901
Deferred contributions (note 9)	2,149,264	339,483
Long-term debt (note 10)	1,371,305	1,451,840
Total financial liabilities	3,891,352	2,177,224
Net financial assets	3,607,357	1,402,883
Non-financial assets (note 11):		
Tangible capital assets (note 19)	18,439,790	17,942,081
Prepaid expenses	33,125	13,157
Total non-financial assets	18,472,915	17,955,238
Accumulated surplus (note 12)	\$ 22,080,272	\$ 19,358,121

Contingent liabilities (note 13)

Economic dependence (note 14)

See accompanying notes to consolidated financial statements

Approved on behalf of the Chief and Council of Aundeck-Omni-Kaning:

 Chief
 Councillor
 Councillor
 Councillor
 Councillor
 Councillor
 Councillor
 Councillor

AUNDECK-OMNI-KANING

Consolidated Statement of Operations and Accumulated Surplus

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

	Budget	2019	2018
Revenues:			
Indigenous and Northern Affairs Canada (Note 17)	\$ 1,122,622	\$ 5,143,940	\$ 3,365,466
Other	7,005,514	7,886,226	4,852,866
Deferred contributions, beginning of year	-	339,483	7,518
Total Revenues	8,128,136	13,369,649	8,225,850
Expenditures (by program area):			
Band Government	1,032,627	1,109,201	1,308,163
Community Infrastructure - O & M	990,028	2,157,471	1,569,828
Community Infrastructure - Other	60,000	-	77,320
Economic Development	301,876	245,966	237,570
Education	1,945,739	2,021,191	1,680,461
Social Development	1,338,932	1,516,982	1,360,038
Community Services	1,280,643	1,110,687	891,968
Economic Development Loans	62,125	10,000	13,742
Enterprise Program	83,000	128,487	158,266
Social Housing Rentals	175,209	122,923	123,249
Ontario First Nations Limited Partnership Distributions	260,000	53,387	73,395
Capital Projects	162,998	39,364	90,282
Total expenditures	7,693,177	8,515,659	7,584,282
Excess of revenues over expenditures from operations	434,959	4,853,990	641,568
Deferred contributions, end of year	-	(2,149,264)	(339,483)
Excess of revenues over expenditures before undenoted item	434,959	2,704,726	302,085
Equity in UCCM Building Material Supply Company Ltd.	-	17,425	294,848
Excess of revenues over expenditures for the year	434,959	2,722,151	596,933
Accumulated surplus, beginning of year	19,358,121	19,358,121	18,761,188
Accumulated surplus, end of year	\$ 19,793,080	\$ 22,080,272	\$ 19,358,121

See accompanying notes to consolidated financial statements

AUNDECK-OMNI-KANING

Consolidated Statement of Changes in Net Financial Assets

Year ended March 31, 2019 with comparative figures for 2018

	Budget	2019	2018
Excess of revenues over expenditures for the year	\$ 434,959	\$ 2,722,151	\$ 596,933
Amortization of tangible capital assets	-	719,761	700,029
Loss on disposal of tangible capital assets	-	17,346	-
Acquisition of tangible capital assets	-	(1,234,816)	(816,616)
Change in prepaid expenses	-	(19,968)	7,960
Sale of inventory	-	-	8,235
Increase in net financial assets for the year	434,959	2,204,474	496,541
Net financial assets, beginning of year	1,402,883	1,402,883	906,342
Net financial assets, end of year	\$ 1,837,842	\$ 3,607,357	\$ 1,402,883

See accompanying notes to consolidated financial statements

AUNDECK-OMNI-KANING
 Consolidated Statement of Cash Flows

Year ended March 31, 2019 with comparative figures for 2018

	2019	2018
Cash flows from operating activities:		
Excess of revenues over expenditures for the year	\$ 2,722,151	\$ 596,933
Non-cash charges to operations:		
Amortization of tangible capital assets	719,761	700,029
Loss on disposal of tangible capital asset	17,346	-
Equity in in UCCM Building Material Supply Company Ltd.	(17,425)	(294,848)
	3,441,833	1,002,114
Change in financial assets and liabilities relating to operations:		
Accounts receivable	(1,089,433)	(23,879)
Prepaid expenses	(19,968)	7,960
Inventory	-	8,235
Accounts payable and accrued liabilities	(15,118)	(270,814)
Deferred contributions	1,809,781	247,864
Net change in cash from operating activities	4,127,095	971,480
Cash flows from capital activities:		
Cash used to acquire tangible capital assets	(1,234,816)	(816,616)
Cash flows from financing activities:		
Repayment of long-term debt	(80,535)	(79,073)
Cash flows from investing activities:		
Restricted cash - CMHC replacement and operating surplus reserves	-	(1,278)
Investment in Ontario First Nations Sovereign Wealth L.P.	-	(1)
Investment in OFN Asset Management GP Corp.	-	(1)
Funds held in trust by Indigenous and Northern Affairs Canada	(45)	(42)
Band member loans	212,738	2,676
Net change in cash from investing activities	212,693	1,354
Net change in cash for the year	3,024,437	77,145
Cash, beginning of year	2,400,980	2,323,835
Cash, end of year	\$ 5,425,417	\$ 2,400,980

See accompanying notes to consolidated financial statements

AUNDECK-OMNI-KANING

Notes to the Consolidated Financial Statements

March 31, 2019

Aundeck-Omni-Kaning is a First Nation located on the North Channel on Manitoulin Island. The First Nation, under the direction of its Chief and Council and management, operate various programs for the benefit of its members, including municipal services, health services, economic development, housing, education, and other services. Aundeck-Omni-Kaning is a not-for-profit entity and is not taxable under the Canadian Income Tax Act.

1. Significant accounting policies

These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards for local government entities established by the Public Sector Accounting Board (“PSAB”) of the Chartered Professional Accountants of Canada. The significant accounting policies are summarized as follows:

(a) Reporting entity and basis of consolidation:

These consolidated financial statements include the assets, liabilities, accumulated surpluses/deficits, revenues and expenditures of the entities that have been determined to be accountable to Aundeck-Omni-Kaning, (“the First Nation”) and are either owned or under the control of the First Nation.

All inter-entity balances have been eliminated on consolidation but in order to present the results of operations for specific functional areas, transactions amongst functional areas have not necessarily been eliminated in the individual supplementary schedules.

Long-term investments in non-controlled entities are recorded using the modified equity method of accounting.

(b) Basis of accounting:

Revenues and expenditures are reported using the accrual basis of accounting. Revenues are recognized as they are earned and measurable. Expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(c) Cash:

Cash and cash equivalents consist of balances held with TD Canada Trust and Bank of Montreal.

AUNDECK-OMNI-KANING

Notes to the Consolidated Financial Statements

March 31, 2019

1. Significant accounting policies, continued

(d) Tangible capital assets:

Tangible capital assets are recorded at cost. The First Nation provides for amortization using the straight-line method designed to amortize the cost, less any residual value, of the tangible capital assets over their estimated useful lives. The annual amortization rates are as follows:

Asset	Rate
Buildings	25 – 40 years
Water & Sewer	10 – 25 years
Roads	40 years
Vehicles	12 – 30 years
Machinery & Equipment	4 – 30 years
Furniture & Miscellaneous	20 – 40 years
CMHC Housing	40 years
Band Housing	40 years
Land improvements	15 years
Other Rental Units	40 years

(e) Revenue recognition and deferred contributions:

Revenues from government grants and contributions are recognized in the period that the events giving rise to the government transfer have occurred as long as: the transfer is authorized; the eligibility criteria, if any, have been met; and the amount can reasonably be estimated. Funding received under the funding arrangements, which relates to a subsequent fiscal period and the unexpended portions of contributions received for specific purposes are reflected as deferred contributions in the year of receipt and are recognized as revenue in the period in which all of the recognition criteria have been met. Other revenues are recorded on the accrual basis when earned and the amount can be reasonably estimated, and collection is reasonably assured.

(f) Use of estimates:

The preparation of the consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the consolidated financial statements and reported amounts of certain revenues and expenditures during the reporting period. By their nature, these estimates are subject to measurement uncertainty. The effect of changes in such estimates on the consolidated financial statements in future periods could be significant. Amounts specifically affected by estimates in these consolidated financial statements are certain accounts receivable, allowance for doubtful accounts, useful lives of tangible capital assets, certain deferred contributions, amounts repayable to certain funders and fair value determinations.

AUNDECK-OMNI-KANING

Notes to the Consolidated Financial Statements

March 31, 2019

1. Significant accounting policies, continued

(g) Financial instruments:

Measurement of financial instruments

The First Nation initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument. Amounts due to and from related parties are measured at the exchange amount, being the amount agreed upon by the related parties.

The First Nation subsequently measures its financial assets and financial liabilities at amortized cost, except for investments in equity securities that are quoted in an active market, which are subsequently measured at fair value. Changes in fair value are recognized in operations in the period they occur.

Financial assets measured at amortized cost include cash, restricted cash, funds held in trust in by Indigenous and Northern Affairs Canada, accounts receivable, and band member loans receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and long-term debt.

2. Restricted Cash - CMHC replacement and operating surplus reserves

Under the terms of agreements with Canada Mortgage and Housing Corporation (“CMHC”) amounts are to be credited annually to replacement reserves and, where applicable, may be credited to the subsidy surplus and operating reserves. These funds must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by Canada Mortgage and Housing Corporation. Withdrawals are credited to interest first and then principal.

3. Funds Held in Trust by Indigenous and Northern Affairs Canada

Funds Held in Trust by Indigenous and Northern Affairs Canada accounts arise from monies derived from capital or revenue sources as outlined in Section 62 of the Indian Act. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada and are subject to audit by the Office of the Auditor General of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act.

AUNDECK-OMNI-KANING

Notes to the Consolidated Financial Statements

March 31, 2019

4. Band Member Loans

Included in band member loans is an allowance for doubtful accounts for \$497,246 (2018 - \$414,457).

5. Investment in Great Lakes Hospitality Group Limited Partnership

The First Nation holds a non-controlling limited partnership interest in Great Lakes Hospitality Group Limited Partnership. This partnership operates a hotel in Little Current, Ontario, which commenced operations in May 2013. The partnership is between 7043821 Canada Inc. and other First Nation's and related organizations from in and around the Manitoulin Island area. The investment is currently being accounted for using the modified equity method.

6. Investment in U.C.C.M. Building Material Supply Company Ltd.

The investment in U.C.C.M. Building Material Supply Company Ltd. represents a 16-2/3% ownership interest and is accounted for using the modified equity method of accounting.

7. Investment in Mnidoo Mnising Power Limited Partnership

The investment in Mnidoo Mnising Power Limited Partnership (MMPLP) represents a 16.665% ownership interest and is accounted for using the modified equity method.

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

In the prior year, the First Nation invested in 1 share of the Ontario First Nations Asset Management Corporation, and a 0.5024% interest in the Ontario First Nations Sovereign Wealth Limited Partnership. The Partnership and Corporation control a partnership that owns shares of Hydro One and hold capital wealth funds. These investments have been reflected in the accompanying consolidated financial statements using the modified equity method at \$1 respectively. During the year, there were no other contributions made to the Partnership. The First Nation did not receive any distributions from the Partnership during the year.

AUNDECK-OMNI-KANING

Notes to the Consolidated Financial Statements

March 31, 2019

9. Deferred contributions

Deferred contributions consist of the following:

	2019	2018
Indigenous and Northern Affairs Canada		
Housing	\$ 863,905	\$ -
Waste site closure funding	671,754	87,000
Band Rep funding	338,257	-
Home development program renovations	155,015	176,814
Summer students	62,855	36,124
National Child Benefit program	46,094	-
Post-Secondary funding	11,384	-
Circle of Philanthropy	-	33,573
Endaa-aang advance deposits	-	5,972
	<hr/> \$ 2,149,264	<hr/> \$ 339,483

AUNDECK-OMNI-KANING

Notes to the Consolidated Financial Statements

March 31, 2019

10. Long-term debt

	2019	2018
Canada Mortgage and Housing Corporation mortgage. Repayable by monthly blended payments of \$2,848 including interest at 2.14% per annum, maturing March 2024. Insured by Canada Mortgage and Housing Corporation.	\$ 295,972	\$ 323,563
Canada Mortgage and Housing Corporation mortgage. Repayable by monthly blended payments of \$3,190 including interest at 1.31% per annum, maturing December 2021. Insured by Canada Mortgage and Housing Corporation.	603,665	633,848
Canada Mortgage and Housing Corporation mortgage. Repayable by monthly blended payments of \$2,420 including interest at 1.30% per annum, maturing June 2022. Insured by Canada Mortgage and Housing Corporation.	471,668	494,429
	<hr/> <u>\$ 1,371,305</u>	<hr/> <u>\$ 1,451,840</u>

Estimated principal re-payments are as follows:

2020	\$ 81,749
2021	83,053
2022	84,378
2023	85,726
2024	87,098
Subsequent years	<hr/> 949,301
	<hr/> <u>\$ 1,371,305</u>

11. Non-financial assets

Tangible capital assets and prepaid expenses are accounted for as assets by the First Nation because they can be used to provide services to members in future periods. These assets do not normally provide resources to discharge the liabilities of the First Nation unless they are sold.

AUNDECK-OMNI-KANING

Notes to the Consolidated Financial Statements

March 31, 2019

12. Accumulated Surplus

	2019	2018
Unrestricted operating accumulated surplus (deficiency)	\$ 667,320	\$ (335,478)
Internally restricted deferred revenue (expenditures)	(3,061,328)	(3,055,040)
Internally restricted – Little NHL	44,255	48,304
Specific claims	210,000	-
First Nation Enterprises	272,507	184,222
Restricted Ontario First Nations Limited Partnership		
Distributions, 11.1 reporting, regular funds	969,718	961,790
Restricted Ontario First Nations Limited Partnership		
Distributions, 11.1 reporting, Future Generations' funds	1,457,098	1,444,120
Restricted Ontario First Nations Limited Partnership		
Distributions, 9.1 reporting	3,528,701	2,720,563
Restricted funds held in trust in Ottawa	2,023	1,977
Internally restricted community development	196,897	196,897
Internally restricted economic development loans	249,669	260,523
Restricted social housing operating surplus reserve (CMHC)	(457)	(457)
Restricted social housing replacement reserve (CMHC)	163,110	145,210
Equity in UCCM Building Supply Company Ltd.	312,274	294,850
Equity in tangible capital assets	17,068,485	16,490,640
	\$ 22,080,272	\$19,358,121

AUNDECK-OMNI-KANING

Notes to the Consolidated Financial Statements

March 31, 2019

13. Contingent liabilities

a) Loan guarantees:

The First Nation is contingently liable as guarantor of the bank indebtedness of U.C.C.M. Building Material Supply Company Ltd. At March 31, 2019, U.C.C.M. Building Material Supply Company Ltd.'s letter of credit amounted to \$250,000. At the consolidated financial statement date, no funds have been drawn on this letter of credit.

The First Nation, as a limited partner, has provided a proportionate guarantee in favour of a loan from the Bank of Montreal to a maximum of \$250,375, advanced to Great Lakes Hospitality Group Limited Partnership in the total amount of \$2,003,000. The guarantee provides that the limited partners will provide the necessary funds to the GLHGLP to meet its debt covenants. The First Nation's portion of the loan in which it would be exposed through this guarantee at December 31, 2018 is \$230,460. This guarantee is provided jointly and severally with the other limited partners.

The First Nation has an agreement with the Bank of Montreal for an aggregate credit facility in the amount of \$1,800,000 under the First Nation on Reserve Loan Program and \$200,000 under the On-Reserve Housing Renovation Loan Program for qualified members of the Aundeck-Omni-Kaning First Nation. As of March 31, 2019, the First Nation has guaranteed loans with an outstanding amount of \$59,490 (2018 - \$61,251).

b) Government funding:

The First Nation has entered into accountable contribution arrangements with several government funding agencies. All such programs are subject to audit by the various government agencies. Should these audits result in recoveries of grants, the amount of these recoveries would be recorded in the accounts in the year in which they are determined.

AUNDECK-OMNI-KANING

Notes to the Consolidated Financial Statements

March 31, 2019

14. Economic dependence

The First Nation has a funding arrangement with Indigenous and Northern Affairs Canada which provides funds to administer operations and provide services to its members in accordance with the terms of the funding arrangement.

As this funding arrangement provides the First Nation's major source of revenue, its ability to continue viable operations are dependent upon maintaining this funding arrangement.

15. Bank indebtedness

An operating line of credit has been approved by the TD Canada Trust to a maximum of \$50,000. The operating line is payable on demand, bears interest at the bank's prime lending rate plus 1% per annum and interest is payable monthly. The operating line is secured by a general security agreement. At the consolidated financial statement date, no funds have been drawn on this operating line.

16. Financial instruments

Transactions in financial instruments may result in an organization assuming or transferring to another party financial risks. The First Nation is exposed to the following risks associated with financial instruments and transactions it is a party to:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The First Nation's main credit risk relate to its cash and accounts receivable.

Credit risk associated with cash is minimized by ensuring these financial assets are placed with large reputable financial institutions with high credit ratings.

The First Nation is exposed to credit risk through its accounts receivable and band member loans of \$1,647,428 (2018 - \$770,733). The First Nation manages this risk through management's on-going monitoring of accounts receivable balances and collections and follow up on overdue accounts.

AUNDECK-OMNI-KANING

Notes to the Consolidated Financial Statements

March 31, 2019

16. Financial instruments (continued)

Liquidity risk

Liquidity risk is the risk that the First Nation cannot repay its obligations when they become due to its creditors. The First Nation has liquidity risk associated with its accounts payable and accrued liabilities of \$370,783 (2018 - \$385,901). The First Nation reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due and maintaining adequate cash resources including a line of credit to repay creditors including required interest and principal payments on long-term debt as those liabilities become due.

17. Contribution arrangement funding provided by Indigenous and Northern Affairs Canada

Included in the total funding of \$5,143,940 provided to the First Nation by Indigenous and Northern Affairs Canada is \$464,540 of funding provided under contribution funding arrangements. This contribution funding comprises part of the program funding of the following programs:

	Contribution Funding	Program Expenditures and Transfers
Community Support Program	\$ 385,820	\$ 667,387
Social Assistance Transfer Funding	78,720	78,720
	\$ 464,540	\$ 746,107

AUNDECK-OMNI-KANING

Notes to the Consolidated Financial Statements

March 31, 2019

18. Segmented information

The Aundeck-Omni-Kaning First Nation is a diversified government institution that provides a wide range of services to its members, including band government, community infrastructure, economic development, education, social development, community services, housing, and other services. 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 Government

The band government function is responsible for carrying out all general band related services. This includes the setting of policies and procedures to be carried out throughout the First Nation's operations as well as overseeing the financial reporting activities of each department. The band government function also includes the activities of the Chief and Council.

Community Infrastructure

The community infrastructure department is responsible for providing public services, which include fire protection, road construction and maintenance, sanitation, water and recycling programs and the operation and upkeep of many of the buildings within the First Nation.

Economic Development

The economic development department is responsible for the identification and development of economic opportunities that will benefit the First Nation and its members. It also obtains funding for training and development opportunities to be carried out by its members, the employment of summer students and a lands researcher. This segment also includes the First Nation's share of activities in ventures such as the Manitoulin Hotel and Conference Centre Limited Partnership and Mnidoo Mnising Power Limited Partnership.

AUNDECK-OMNI-KANING

Notes to the Consolidated Financial Statements

March 31, 2019

18. Segmented information (Continued)

Education

The education department is responsible for services provided to elementary and secondary students primarily through service contracts with provincially funded school boards. The education is also responsible for the tutoring of members and providing funding for post-secondary initiatives undertaken by students of the First Nation.

Social Development

The social development department provides services under the Provincial Ontario Works Program which include financial support initiatives as well as employment training initiatives.

Community Services

The community services department is responsible for the management of health and long-term care programs as well as programs for the development and engagement of the youth of the First Nation.

Housing

The housing segment reports the activities of the CMHC projects, including revenues, subsidies and expenses of the operation of each of the three phases currently in operation.

Capital

The capital department is responsible for the construction and purchasing of capital items to be used by the various departments within the First Nation. This department utilizes labour within the First Nation as well as contracts with third party entities.

18. Segmented Information (Continued)

	2019						2018					
	Band	Government	Community Infrastructure	Economic Development	Education	Social Development	Community Services	Housing	Capital	OFNLP	Totals	
Revenue												
Indigenous and Northern Affairs Canada	\$ 587,586	\$ 2,507,385	\$ 116,429	\$ 1,970,503	\$ 255,684	\$ 542,840	\$ 1,134,016	\$ 1,134,016	\$ 5,143,940	\$ 5,143,940		
Kinoomadziiwin Education Body	-	-	-	-	-	-	-	-	-	-		
Health Canada	-	-	-	-	-	-	-	-	-	-		
Ontario First Nations Limited Partnership	-	-	-	-	-	-	-	-	-	-		
CMHC	-	-	-	-	-	-	-	-	-	-		
Ministry of Community and Social Services	-	-	-	-	-	-	-	-	-	-		
Deferred revenue, beginning of the year	1,111,407	263,814	42,096	33,573	672,390	-	-	-	-	-		
Other	1,698,993	3,253,287	566,114	2,012,575	1,563,470	1,508,566	174,737	1,135,317	922,331	12,835,490		
Expenses												
Wages and benefits	\$ 358,475	245,257	214,139	139,428	654,441	526,961	-	-	-	2,138,701		
Materials and program costs	449,087	1,338,674	127,233	847,318	405,278	567,550	57,921	39,364	53,387	3,883,812		
Contracted services	83,588	-	-	1,476,485	-	-	-	-	-	1,560,073		
Rents and financial expenses	151,813	-	-	-	-	-	-	-	-	175,726		
Amortization expense	66,238	573,540	4,495	-	15,223	16,176	20,913	-	-	719,761		
Program transfers and administration	(4,615)	832,029	51,329	(20,000)	35,523	62,214	44,089	-	-	40,000		
	1,104,586	2,989,500	397,196	2,001,191	1,552,505	1,172,901	122,923	(957,116)	93,387	8,477,073		
Prior year funding released	-	-	-	-	-	-	-	-	-	495,573		
Deferred revenue, end of the year	-	(826,769)	(62,855)	(11,384)	(46,094)	(338,257)	-	(863,915)	-	(2,149,264)		
Total	\$ 594,407	\$ (562,982)	\$ 106,063	\$ -	\$ 460,444	\$ (2,592)	\$ 51,814	\$ 1,228,518	\$ 829,044	\$ 2,704,426		
	2018											
	Band	Government	Community Infrastructure	Economic Development	Education	Social Development	Community Services	Housing	Capital	OFNLP	Totals	
Revenue												
Indigenous and Northern Affairs Canada	\$ 477,049	\$ 629,051	\$ 98,493	\$ 1,748,952	\$ 159,919	\$ 85,354	\$ -	\$ 252,002	\$ -	\$ 3,365,466		
Health Canada	-	25,000	-	-	-	-	-	-	-	110,354		
Ontario First Nations Limited Partnership	-	-	-	-	-	-	-	-	-	694,634		
CMHC	-	77,698	-	-	-	-	-	-	-	159,241		
Ministry of Community and Social Services	-	-	-	-	690,958	-	-	-	-	690,958		
Deferred revenue, beginning of the year	-	-	-	-	-	7,518	-	-	-	7,518		
Other	561,799	477,451	407,012	40,369	398,976	783,312	115,086	405,164	9,510	3,197,619		
	1,038,848	1,209,200	505,505	1,789,321	1,249,853	875,184	196,629	657,166	704,144	8,225,830		
Expenses												
Wages and benefits	367,261	187,195	260,683	147,711	567,476	465,776	-	-	-	1,996,102		
Materials and program costs	798,093	895,307	144,399	252,217	777,339	411,764	56,797	90,282	73,395	3,499,593		
Contracted services	85,662	-	-	1,280,533	-	-	-	-	-	1,366,195		
Rents and financial expenses	-	-	-	-	-	-	-	-	-	22,363		
Amortization expense	57,148	564,646	4,495	-	15,223	14,428	44,089	-	-	700,029		
Program transfers and administration	(131,436)	(72,074)	(12,129)	108,860	54,051	45,996	-	(199,519)	206,551	-		
	1,176,728	1,575,074	397,448	1,789,321	1,414,089	937,664	123,249	(109,237)	279,946	7,584,282		
Deferred revenue, end of the year	(33,573)	(263,814)	(42,096)	-	-	-	-	-	-	(339,483)		
Total	\$ (171,453)	\$ (629,688)	\$ 65,961	\$ -	\$ (164,236)	\$ (62,480)	\$ 73,380	\$ 765,03	\$ 424,198	\$ 302,085		

AUNDECK-OMNI-KANING
Notes to the Consolidated Financial Statements
March 31, 2019

19. Tangible capital assets

2019										
	Land	Improvements	Buildings	Water & Sewer	Roads	Vehicles	Machinery & Equipment	Furniture & Miscellaneous	CMHC Housing	Band Housing
Cost										Other Rental Units
Balance, beginning of year	\$ 1,294,026	\$ 115,586	\$ 8,778,982	\$ 5,438,435	\$ 725,800	\$ 1,118,546	\$ 2,008,125	\$ 777,296	\$ 1,959,490	\$ 2,816,119
Additions	-	-	900,210	-	-	84,270	12,000	-	-	238,336
Disposals	-	-	-	-	-	-	(51,245)	-	-	-
Balance, end of year	1,294,026	115,586	9,679,192	5,438,435	725,800	1,202,816	1,968,880	777,296	1,959,490	3,054,455
Accumulated Amortization										
Balance, beginning of year	-	43,342	1,652,453	3,219,201	382,368	775,337	1,224,032	351,878	404,578	556,961
Disposals	-	-	-	-	-	-	(33,899)	-	-	-
Amortization expense	-	6,668	209,981	155,519	15,518	62,071	80,010	29,318	44,089	58,725
Balance, end of year	-	50,010	1,862,434	3,374,720	397,886	837,408	1,270,163	381,196	448,667	625,686
Net book value	\$ 1,294,026	\$ 65,576	\$ 7,816,758	\$ 2,063,715	\$ 327,914	\$ 365,408	\$ 698,717	\$ 396,100	\$ 1,510,823	\$ 2,428,769
2018										
	Land	Improvements	Buildings	Water & Sewer	Roads	Vehicles	Machinery & Equipment	Furniture & Miscellaneous	CMHC Housing	Band Housing
Cost										Other Rental Units
Balance, beginning of year	\$ 1,294,026	\$ 115,586	\$ 8,331,876	\$ 5,438,435	\$ 725,800	\$ 1,118,546	\$ 1,955,034	\$ 777,296	\$ 1,959,490	\$ 2,499,700
Additions	-	-	447,106	-	-	-	53,091	-	-	316,419
Disposals	-	-	-	-	-	-	-	-	-	-
Balance, end of year	1,294,026	115,586	8,778,982	5,438,435	725,800	1,118,546	2,008,125	777,296	1,959,490	2,816,119
Accumulated Amortization										
Balance, beginning of year	-	36,674	1,453,108	3,063,682	366,038	719,586	1,143,277	321,551	360,489	493,598
Disposals	-	-	-	-	-	-	-	-	-	-
Amortization expense	-	6,668	199,345	155,519	16,330	55,751	80,775	30,327	44,089	63,363
Balance, end of year	-	43,342	1,652,453	3,219,201	382,368	775,337	1,224,052	351,878	404,578	556,961
Net book value	\$ 1,294,026	\$ 72,244	\$ 7,126,529	\$ 2,219,234	\$ 343,432	\$ 343,209	\$ 784,073	\$ 425,418	\$ 1,554,912	\$ 2,259,158
										\$ 17,942,381