

Consolidated Financial Statements of
AUNDECK-OMNI-KANING
Year ended March 31, 2021

AUNDECK-OMNI-KANING
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021

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MANAGEMENT'S RESPONSIBILITY STATEMENT

The accompanying consolidated financial statements of **Aundeck-Omni-Kaning First Nation** 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 Freelandt 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
Finance Manager

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, 2021, 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, 2021, 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
July 29, 2021

AUNDECK-OMNI-KANING

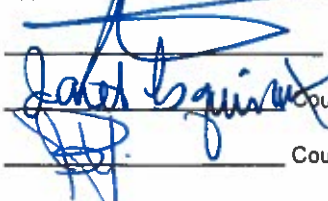
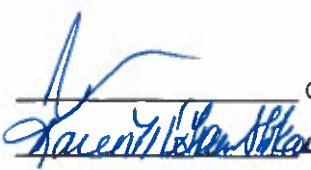
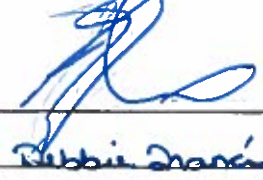
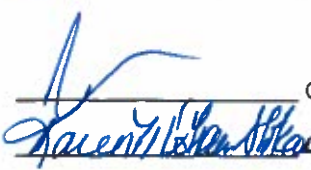
Consolidated Statement of Financial Position

March 31, 2021, with comparative figures for 2020

	2021	2020
Financial assets:		
Cash	\$ 6,949,779	\$ 5,331,663
Restricted cash - CMHC replacement and operating surplus reserves (note 2)	115,110	115,110
Funds held in trust by Indigenous Services Canada (note 3)	2,023	2,023
Accounts receivable	1,495,430	1,606,206
Band member loans (note 4)	58,446	9,685
Investment in Great Lakes Hospitality Group Limited Partnership (note 5)	1	1
Investment in UCCM Building Material Supply Company Ltd. (note 6)	386,086	339,471
Investment in Mniidoo 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	9,006,878	7,404,162
Financial liabilities:		
Accounts payable and accrued liabilities	288,548	293,434
Deferred contributions (note 9)	1,163,256	848,121
Long-term debt (note 10)	1,206,448	1,289,573
Total financial liabilities	2,658,252	2,431,128
Net financial assets	6,348,626	4,973,034
Non-financial assets (note 11):		
Tangible capital assets (note 19)	19,606,849	19,082,076
Prepaid expenses	142,868	130,558
Total non-financial assets	19,749,717	19,212,634
Accumulated surplus (note 12)	\$ 26,098,343	\$ 24,185,668
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

AUNDECK-OMNI-KANING

Consolidated Statement of Operations and Accumulated Surplus

Year ended March 31, 2021, with comparative figures for 2020

	Budget	2021	2020
Revenues:			
Other	\$ 7,358,435	\$ 7,472,981	\$ 7,266,901
Indigenous Services Canada (Note 17)	1,724,578	2,944,136	1,737,866
Deferred contributions, beginning of year	6,706	848,121	2,149,262
Total Revenues	9,089,719	11,265,238	11,154,029
Expenditures (by program area):			
Education	2,055,876	2,067,282	2,066,820
Community Infrastructure - O & M	941,810	1,740,819	1,867,523
Social Development	1,627,568	1,568,913	1,384,137
Band Government	1,198,406	1,012,295	1,125,739
Community Services	1,527,616	946,247	1,048,224
COVID-19 Response	543,922	302,771	66,844
Social Housing Rentals	168,509	196,934	184,868
Economic Development	221,503	193,263	253,973
Economic Development Loans	30,000	125,000	10,450
Enterprise Program	73,000	45,949	110,675
Community Infrastructure - Other	-	36,449	68,401
Ontario First Nations Limited Partnership Distributions	746,892	-	21,877
Capital Projects	65	-	18,178
Total expenditures	9,135,167	8,235,922	8,227,709
Excess of revenues over expenditures from operations	(45,448)	3,029,316	2,926,320
Deferred contributions, end of year	-	(1,163,256)	(848,121)
Excess of revenues over expenditures before undernoted item	(45,448)	1,866,060	2,078,199
Equity in UCCM Building Material Supply Company Ltd.	-	46,615	27,197
Excess of revenues over expenditures for the year	(45,448)	1,912,675	2,105,396
Accumulated surplus, beginning of year	24,185,668	24,185,668	22,080,272
Accumulated surplus, end of year	\$ 24,140,220	\$ 26,098,343	\$ 24,185,668

See accompanying notes to consolidated financial statements

AUNDECK-OMNI-KANING

Consolidated Statement of Changes in Net Financial Assets

Year ended March 31, 2021 with comparative figures for 2020

	Budget	2021	2020
Excess of revenues over expenditures for the year	\$ (45,448)	\$ 1,912,675	\$ 2,105,396
Amortization of tangible capital assets	-	788,555	761,576
Acquisition of tangible capital assets	-	(1,313,327)	(1,403,862)
Change in prepaid expenses	-	(12,310)	(97,433)
Increase in net financial assets for the year	(45,448)	1,375,593	1,365,677
Net financial assets, beginning of year	4,973,034	4,973,034	3,607,357
Net financial assets, end of year	\$ 4,927,586	\$ 6,348,626	\$ 4,973,034

See accompanying notes to consolidated financial statements

AUNDECK-OMNI-KANING

Consolidated Statement of Cash Flows

Year ended March 31, 2021 with comparative figures for 2020

	2021	2020
Cash flows from operating activities:		
Excess of revenues over expenditures for the year	\$ 1,912,675	\$ 2,105,396
Non-cash charges to operations:		
Amortization of tangible capital assets	788,555	761,576
Equity in UCCM Building Material Supply Company Ltd.	(46,615)	(27,197)
	2,654,615	2,839,775
Change in financial assets and liabilities relating to operations:		
Accounts receivable	110,776	(54,697)
Prepaid expenses	(12,311)	(97,434)
Accounts payable and accrued liabilities	(4,886)	(77,349)
Deferred contributions	315,135	(1,301,143)
Net change in cash from operating activities	3,063,329	1,309,152
Cash flows from capital activities:		
Cash used to acquire tangible capital assets	(1,313,327)	(1,403,862)
Cash flows from financing activities:		
Repayment of long-term debt	(83,125)	(81,732)
Cash flows from investing activities:		
Restricted cash - CMHC replacement and operating surplus reserves	-	(3,547)
Band member loans	(48,761)	86,234
Net change in cash from investing activities	(48,761)	82,687
Net change in cash for the year	1,618,116	(93,755)
Cash, beginning of year	5,331,663	5,425,417
Cash, end of year	\$ 6,949,779	\$ 5,331,663

See accompanying notes to consolidated financial statements

AUNDECK-OMNI-KANING

Notes to the Consolidated Financial Statements

March 31, 2021

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.

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Notes to the Consolidated Financial Statements

March 31, 2021

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.

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Notes to the Consolidated Financial Statements

March 31, 2021

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 Services 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 Services Canada

Funds Held in Trust by Indigenous Services 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.

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Notes to the Consolidated Financial Statements

March 31, 2021

4. Band Member Loans

Included in band member loans is an allowance for doubtful accounts for \$487,633 (2020 - \$487,633).

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.

The following summarizes the assets, liabilities, deficiency, revenues and expenses of Great Lakes Hospitality Group Limited Partnership. at December 31, 2020 with comparative information for 2019:

	2020	2019
Financial position		
Current assets	\$ 405,622	\$ 288,095
Property and equipment	2,805,630	2,923,675
Total assets	\$ 3,211,252	\$ 3,211,770
Liabilities		
Current	\$ 2,502,415	\$ 2,561,468
Long-term debt	755,323	728,332
Partners' Deficit	(46,486)	(78,030)
	\$ 3,211,252	\$ 3,211,770

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Notes to the Consolidated Financial Statements

March 31, 2021

5. Investment in Great Lakes Hospitality Group Limited Partnership continued

	2020	2019
Results of operations		
Revenues	\$ 1,785,257	\$ 2,662,355
Expenses	2,037,244	2,647,716
Earnings before undernoted item	(251,987)	14,639
Other Income	283,531	-
Net Earnings	\$ 31,544	\$ 14,639

The investment balance consists of the following:

Balance, beginning of year	\$ 1	\$ 1
First Nation share of earnings	-	-
Balance, end of year	\$ 1	\$ 1

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.

The following summarizes the assets, liabilities, deficiency, revenues and expenses of U.C.C.M. Building Material Supply Company Ltd. at November 30, 2020 with comparative information for 2019:

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Notes to the Consolidated Financial Statements

March 31, 2021

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

	2020	2019
Financial position		
Current assets	\$ 2,364,923	\$ 2,288,682
Investments and advances	2,780	2,780
Property and equipment	355,267	366,155
Loan receivable	32,500	32,500
Total assets	\$ 2,755,470	\$ 2,690,117
Liabilities		
Current	\$ 429,819	\$ 604,394
Loan payable	13,799	28,464
Partners' Capital	2,311,852	2,057,259
	\$ 2,755,470	\$ 2,690,117
Results of operations		
Revenues	\$ 4,512,431	\$ 3,801,654
Cost of sales	3,483,372	2,862,874
Gross Profit	1,029,059	938,780
Expenses	848,653	806,384
Earnings before undernoted item	180,406	132,396
Other Income	(74,187)	(60,283)
Net Earnings	\$ 254,593	\$ 192,679

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Notes to the Consolidated Financial Statements

March 31, 2021

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.

The following summarizes the assets, liabilities, deficiency, revenues and expenses of Mnidoo Mnising Power Limited Partnership at December 31, 2020 with comparative information for 2019:

	2020	2019
Financial position		
Current assets	\$ 409,995	\$ 404,315
Investments and restricted cash	3,248,493	4,932,783
Total assets	\$ 3,658,488	\$ 5,337,098
Liabilities		
Current	\$ 1,650,139	\$ 1,587,554
Obligations under M'Nidoo M'Nising Power Ltd	11,861,264	14,750,314
Partners' Deficit	(9,852,915)	(9,413,216)
	\$ 3,658,488	\$ 5,337,098
Results of operations		
Revenues	\$ 286,967	\$ 308,363
Expenses	279,967	274,289
Earnings before undernoted item	6,802	34,074
Other Income	1,394,500	1,223,000
Net Earnings	\$ 1,401,302	\$ 1,257,074

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Notes to the Consolidated Financial Statements

March 31, 2021

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

The First Nation has 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 cost 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.

9. Deferred contributions

Deferred contributions consist of the following:

	2021	2020
Indigenous Services Canada		
COVID-19	\$ 338,252	\$ -
Economic Support Coordinator	48,628	-
Medical Transportation	45,387	-
Family Well-Being	3,590	-
Band Rep funding	50,000	382,905
Home development project	-	153,815
Post-Secondary funding	232,486	109,897
Elementary and secondary education	173,237	90,127
Daycare	170,125	-
Governance funding	78,605	93,463
Capacity Resource Program	20,377	-
Right to Play	2,569	-
Grad Coach & 4 Directors Summer School Program	-	17,914
	\$ 1,163,256	\$ 848,121

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Notes to the Consolidated Financial Statements

March 31, 2021

10. Long-term debt

	2021	2020
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. Guaranteed by Indigenous Services Canada.	\$ 239,092	\$ 267,847
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. Guaranteed by Indigenous Services Canada.	542,105	573,103
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. Guaranteed by Indigenous Services Canada.	425,251	448,623
	<u>\$ 1,206,448</u>	<u>\$ 1,289,573</u>

Estimated principal re-payments assuming renewals at similar terms are as follows:

2022	\$ 84,378
2023	85,727
2024	87,099
2025	88,492
2026	89,938
Subsequent years	770,814
	<u>\$ 1,206,448</u>

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Notes to the Consolidated Financial Statements

March 31, 2021

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.

12. Accumulated Surplus

	2021	2020
Unrestricted operating accumulated surplus (deficiency)	\$ 1,482,703	\$ 946,860
Internally restricted deferred revenue (expenditures)	(3,320,951)	(2,889,892)
Internally restricted – Little NHL	46,555	44,755
Specific claims	250,000	210,000
Special education	33,573	33,573
First Nation Enterprises	902,320	396,511
Restricted Ontario First Nations Limited Partnership		
Distributions, 11.1 reporting, regular funds	977,476	976,599
Restricted Ontario First Nations Limited Partnership		
Distributions, 11.1 reporting, Future Generations' funds	1,470,595	1,469,109
Restricted Ontario First Nations Limited Partnership		
Distributions, 9.1 reporting	4,886,337	4,260,894
Restricted funds held in trust in Ottawa	2,024	2,024
Internally restricted community development	196,897	196,897
Internally restricted economic development loans	249,669	249,669
Restricted social housing operating surplus reserve (CMHC)	(457)	(457)
Restricted social housing replacement reserve (CMHC)	135,116	157,152
Equity in UCCM Building Supply Company Ltd.	386,086	339,471
Equity in tangible capital assets	18,400,400	17,792,503
	\$ 26,098,343	\$24,185,668

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Notes to the Consolidated Financial Statements

March 31, 2021

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, 2020, 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, 2020 is \$204,007. 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, 2021, the First Nation has guaranteed loans with an outstanding amount of \$55,236 (2020 - \$57,906).

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.

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Notes to the Consolidated Financial Statements

March 31, 2021

14. Economic dependence

The First Nation has a funding arrangement with Indigenous Services 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 \$1,553,875 (2020 - \$1,615,891). The First Nation manages this risk through management's on-going monitoring of accounts receivable balances and collections and follow up on overdue accounts.

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Notes to the Consolidated Financial Statements

March 31, 2021

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 \$288,548 (2020 - \$293,432). 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 Services Canada

Included in the total funding of \$2,944,136 provided to the First Nation by Indigenous Services Canada is \$169,816 of funding provided under SET contribution funding arrangements. This contribution funding comprises part of the program funding of the following programs:

	Contribution Funding	Program Expenditures and Transfers
Tobacco control strategies	6,573	157,857
Canada Prenatal Nutrition	7,321	7,329
COVID-19	75,020	295,614
Water and Wastewater	25,000	218,532
Social Assistance Employment and Training	39,360	39,360
Funerals and Burials	16,542	39,786
	\$ 169,816	\$ 758,478

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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.

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Notes to the Consolidated Financial Statements

March 31, 2021

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.

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Notes to the Consolidated Financial Statements

March 31, 2021

18. Segmented information (Continued)

2021										
	Band Government	Community Infrastructure	Economic Development	Education	Social Development	Community Services	Housing	Capital	OFNLP	Totals
Revenue										
Indigenous Services Canada	\$ 426,011	\$ 412,231	\$ 148,907		\$ 262,208	\$ 278,613	\$ -	\$ 467,876	\$ -	\$ 1,995,846
Indigenous Services Canada - Health	-	-	-	-	-	38,756	-	-	-	38,756
Kinoomaadziwin Education Body	-	-	-	2,271,200	-	-	-	-	-	2,271,200
Ontario First Nations Limited Partnership	-	-	-	-	-	-	-	-	735,810	735,810
CMHC	-	-	-	-	-	-	81,343	-	-	81,343
Ministry of Community and Social Services	-	-	-	-	587,795	-	-	-	-	587,795
Ministry of Education	-	-	-	-	609,842	-	-	-	-	609,842
Deferred revenue, beginning of the year	93,463	153,816	110,818	217,938	-	382,905	-	-	-	958,940
Other	895,318	403,254	317,656	1,781	223,411	846,754	169,920	50,450	6,022	2,914,566
	1,414,792	969,301	577,381	2,490,919	1,683,256	1,547,028	251,263	518,326	741,832	10,194,098
Expenses										
Wages and benefits	\$ 369,801	387,248	178,121	131,664	603,821	530,461	-	-	-	2,201,116
Materials and program costs	453,215	700,751	180,313	471,146	950,544	404,951	170,925	-	-	3,331,845
Contracted services	135,952	-	-	1,464,472	-	-	-	-	-	1,600,424
Rents and financial expenses	-	-	-	-	-	-	18,369	-	-	18,369
Amortization expense	53,327	652,820	5,778	-	14,548	10,836	44,089	-	-	781,398
Program transfers and administration	25,585	(96,885)	-	17,914	3,400	119,784	-	(613,942)	114,026	(430,118)
	1,037,880	1,643,934	364,212	2,085,196	1,572,313	1,066,032	233,383	(613,942)	114,026	7,503,034
Deferred revenue, end of the year	(78,605)	-	(69,005)	(405,723)	(170,125)	(101,546)	-	-	-	(825,004)
Total	\$ 298,307	\$ (674,633)	\$ 144,164	\$ -	\$ (59,182)	\$ 379,450	\$ 17,880	\$ 1,132,268	\$ 627,806	\$ 1,866,060
2020										
	Band Government	Community Infrastructure	Economic Development	Education	Social Development	Community Services	Housing	Capital	OFNLP	Totals
Revenue										
Indigenous Services Canada	\$ 390,686	\$ 311,760	\$ 98,453		\$ 81,861	\$ 229,630	\$ -	\$ 466,410	\$ -	\$ 1,578,800
Indigenous Services Canada - Health	-	30,922	-	-	-	128,144	-	-	-	159,066
Kinoomaadziwin Education Body	-	-	-	2,235,213	-	-	-	-	-	2,235,213
Ontario First Nations Limited Partnership	-	-	-	-	-	-	-	-	762,408	762,408
CMHC	-	-	-	-	-	-	81,343	-	-	81,343
Ministry of Community and Social Services	-	-	-	-	558,848	-	-	-	-	558,848
Ministry of Education	-	-	-	-	554,589	-	-	-	-	554,589
Deferred revenue, beginning of the year	-	826,769	62,855	11,384	46,090	338,259	-	863,905	-	2,149,262
Other	980,911	544,035	385,704	3,423	175,176	835,400	83,018	10,077	50,554	3,068,298
	1,371,597	1,713,486	547,012	2,250,020	1,416,564	1,531,433	164,361	1,340,392	812,962	11,147,827
Expenses										
Wages and benefits	\$ 478,186	291,079	225,321	134,283	565,569	577,297	-	-	-	2,271,735
Materials and program costs	467,677	1,015,093	145,282	465,553	803,097	455,259	114,815	18,178	21,877	3,506,831
Contracted services	194,619	-	-	1,466,984	-	-	-	-	-	1,661,603
Rents and financial expenses	-	-	-	-	-	-	19,762	-	-	19,762
Amortization expense	52,105	629,747	4,495	-	15,472	15,668	44,089	-	-	761,576
Program transfers and administration	9,986	121,124	(2,631)	(10,000)	47,109	53,698	(6,202)	(253,084)	40,000	-
	1,202,573	2,057,043	372,467	2,056,820	1,431,247	1,101,922	172,464	(234,906)	61,877	8,221,507
Prior year funding released	-	-	-	-	-	-	-	-	-	-
Deferred revenue, end of the year	(93,463)	(153,815)	-	(217,938)	-	(382,905)	-	-	-	(848,121)
Total	\$ 75,561	\$ (497,372)	\$ 174,545	\$ (24,738)	\$ (14,683)	\$ 46,606	\$ (8,103)	\$ 1,575,298	\$ 751,085	\$ 2,078,199

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Notes to the Consolidated Financial Statements
March 31, 2021

19. Tangible capital assets

2021													
	Land	Land Improvements	Buildings	Water & Sewer	Roads	Vehicles	Machinery & Equipment	Furniture & Miscellaneous	CMHC Housing	Band Housing	Other Rental Units	Totals	
Cost													
Balance, beginning of year	\$ 1,294,026	\$ 115,586	\$ 9,679,192	\$ 5,501,471	\$ 725,800	\$ 1,344,594	\$ 1,999,706	\$ 783,196	\$ 1,959,490	\$ 3,205,352	\$ 3,138,674	\$ 29,747,087	
Additions	-	-	114,026	-	-	69,500	372,806	37,431	-	295,147	424,417	1,313,327	
Balance, end of year	1,294,026	115,586	9,793,218	5,501,471	725,800	1,414,094	2,372,512	820,627	1,959,490	3,500,499	3,563,091	31,060,415	
Accumulated Amortization													
Balance, beginning of year	-	56,678	2,072,415	3,532,508	412,754	909,691	1,353,398	411,120	492,756	697,806	725,885	10,665,011	
Amortization expense	-	6,668	210,991	157,788	14,868	60,471	101,150	33,599	44,089	78,761	80,170	788,555	
Balance, end of year	-	63,346	2,283,406	3,690,296	427,622	970,162	1,454,548	444,719	536,845	776,567	806,055	11,453,566	
Net book value	\$ 1,294,026	\$ 52,240	\$ 7,509,812	\$ 1,811,175	\$ 298,178	\$ 443,932	\$ 917,964	\$ 375,908	\$ 1,422,645	\$ 2,723,932	\$ 2,757,037	\$ 19,606,849	
2020													
	Land	Land Improvements	Buildings	Water & Sewer	Roads	Vehicles	Machinery & Equipment	Furniture & Miscellaneous	CMHC Housing	Band Housing	Other Rental Units	Totals	
Cost													
Balance, beginning 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	\$ 2,127,249	\$ 28,343,225	
Additions	-	-	-	63,036	-	141,778	30,826	5,900	-	150,897	1,011,425	1,403,862	
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	
Balance, end of year	1,294,026	115,586	9,679,192	5,501,471	725,800	1,344,594	1,999,706	783,196	1,959,490	3,205,352	3,138,674	29,747,087	
Accumulated Amortization													
Balance, beginning of year	-	50,010	1,862,434	3,374,720	397,886	837,408	1,270,163	381,196	448,667	625,686	655,265	9,903,435	
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	
Amortization expense	-	6,668	209,981	157,788	14,868	72,283	83,235	29,924	44,089	72,120	70,620	761,576	
Balance, end of year	-	56,678	2,072,415	3,532,508	412,754	909,691	1,353,398	411,120	492,756	697,806	725,885	10,665,011	
Net book value	\$ 1,294,026	\$ 58,908	\$ 7,606,777	\$ 1,968,963	\$ 313,046	\$ 434,903	\$ 646,308	\$ 372,076	\$ 1,466,734	\$ 2,507,546	\$ 2,412,789	\$ 19,082,076	

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20. COVID-19

The COVID-19 global outbreak was declared a pandemic by the World Health Organization in March 2020. The negative impact of COVID-19 in Canada and on the global economy has been significant. The global pandemic has disrupted economic activities and supply chains resulting in governments worldwide, and in Canada, enacting emergency measures to combat the spread of the virus and protect the economy.

These financial statements have been prepared based upon conditions existing at March 31, 2021 and considering those events occurring subsequent to that date, that provide evidence of conditions that existed at that date.

Although the disruption from the pandemic is expected to be temporary, given the dynamic nature of these circumstances, the duration and severity of the disruption and related financial impact cannot be reasonably estimated at this time. Government interventions and public health authority recommendations have resulted in changes to how and what the First Nation delivers to its members. The Chief and Council and management of the First Nation will continue to monitor the situation and adjust as it sees necessary to maintain the health and safety of its employees and members.

At this time, the full potential impact of COVID-19 on the First Nation is not known.