

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

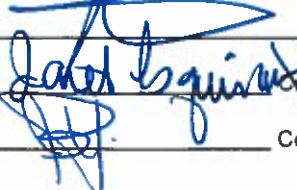
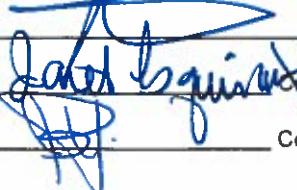
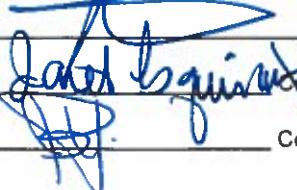
| | 2021 | 2020 |
|--|----------------------|----------------------|
| Financial assets: | | |
| Cash | \$ 6,949,779 | \$ 5,331,663 |
| Restricted cash - CMHC replacement and operating surplus reserves (note 2) | 115,110 | 115,110 |
| Funds held in trust by Indigenous Services Canada (note 3) | 2,023 | 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 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 | 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

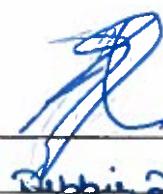
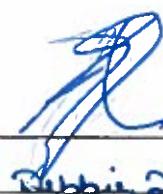
Approved on behalf of the Chief and Council of Aundeck-Omni-Kaning


 Chief

 Councillor

 Councillor


 Councillor

 Councillor

 Councillor


 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) |
| | <u>2,654,615</u> | <u>2,839,775</u> |
| 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 | <u>3,063,329</u> | <u>1,309,152</u> |
| 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 | <u>(48,761)</u> | <u>82,687</u> |
| 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.

AUNDECK-OMNI-KANING

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.

AUNDECK-OMNI-KANING

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 | <u>\$ 3,211,252</u> | <u>\$ 3,211,770</u> |
| Liabilities | | |
| Current | \$ 2,502,415 | \$ 2,561,468 |
| Long-term debt | 755,323 | 728,332 |
| Partners' Deficit | (46,486) | (78,030) |
| | <u>\$ 3,211,252</u> | <u>\$ 3,211,770</u> |

AUNDECK-OMNI-KANING
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 |
| <u>Expenses</u> | <u>2,037,244</u> | <u>2,647,716</u> |
| Earnings before undernoted item | (251,987) | 14,639 |
| <u>Other Income</u> | <u>283,531</u> | - |
| 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:

AUNDECK-OMNI-KANING
 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 | <u>\$ 2,755,470</u> | <u>\$ 2,690,117</u> |
| Liabilities | | |
| Current | \$ 429,819 | \$ 604,394 |
| Loan payable | 13,799 | 28,464 |
| Partners' Capital | 2,311,852 | 2,057,259 |
| | <u>\$ 2,755,470</u> | <u>\$ 2,690,117</u> |
| 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 | <u>\$ 254,593</u> | <u>\$ 192,679</u> |

AUNDECK-OMNI-KANING
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 |

| | 2020 | 2019 |
|--|--------------|--------------|
| 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 |

| | 2020 | 2019 |
|---------------------------------|--------------|--------------|
| 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 |

AUNDECK-OMNI-KANING
 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 |
| | <hr/> \$ 1,206,448 | <hr/> \$ 1,289,573 |

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 | <hr/> 770,814 |
| | <hr/> <u>\$ 1,206,448</u> |

AUNDECK-OMNI-KANING
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 |
| | <hr/> \$ 26,098,343 | <hr/> \$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 |
| | <hr/> | <hr/> |
| | \$ 169,816 | \$ 758,478 |

AUNDECK-OMNI-KANING

Notes to the Consolidated Financial Statements

March 31, 2021

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.

AUNDECK-OMNI-KANING
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 |
| Kinoomaadzwin 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 |
| Kinoomaadzwin 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 | 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 | 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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Notes to the Consolidated Financial Statements

March 31, 2021

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.