

Consolidated Financial Statements of

# **M'CHIGEENG FIRST NATION**

And Independent Auditors' Report thereon

Year ended March 31, 2019

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of M'Chigeeng First Nation (the "First Nation") are the responsibility of management and have been approved by M'Chigeeng First Nation and the undernoted Chief and Council of the First Nation.

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Consolidated financial statements are not precise since they include certain amounts based on estimates and judgements. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the consolidated financial statements are presented fairly, in all material respects.

The First Nation maintains a system of internal accounting and administrative controls. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the First Nation's assets are appropriately accounted for and adequately safeguarded.

Chief and Council are responsible for ensuring that management fulfills its responsibilities for financial reporting and are ultimately responsible for reviewing and approving the consolidated financial statements.

Chief and Council review the First Nation's consolidated financial statements and recommend their approval. Chief and Council meet to discuss and to review the annual report, the consolidated financial statements and the external auditors' report. Chief and Council takes this information into consideration when approving the consolidated financial statements for issuance to the First Nation Members. Chief and Council also consider the engagement of the external auditors.

The consolidated financial statements have been audited by KPMG LLP in accordance with Canadian generally accepted auditing standards on behalf of the First Nation.

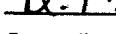
\_\_\_\_\_  
Chief

\_\_\_\_\_  
Councilor



\_\_\_\_\_  
Councilor

\_\_\_\_\_  
Councilor

 D. Mignans

\_\_\_\_\_  
Councilor

\_\_\_\_\_  
Councilor

 Mervin J. Beard

 Ray C. Cressy

 Henry Panamuk



KPMG LLP  
Claridge Executive Centre  
144 Pine Street  
Sudbury Ontario P3C 1X3  
Canada  
Telephone (705) 675-8500  
Fax (705) 675-7586

## INDEPENDENT AUDITORS' REPORT

To the Members of M'Chigeeng First Nation

### *Opinion*

We have audited the financial statements of M'Chigeeng First Nation (the "First Nation"), which comprise:

- the consolidated statement of financial position as at March 31, 2019
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and the notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements")

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the First Nation as at March 31, 2019, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board (PSAB).

### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibility under those standards are further described in the **"Auditors' Responsibilities for the Audit of the Financial Statements"** section of our auditors' report.

We are independent of the First Nation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



### ***Responsibility of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board (PSAB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, internal omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the First Nation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a



material uncertainty exists related to the events or conditions that may cast significant doubt on the First Nation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the First Nation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient audit evidence regarding the financial information of the entities or business activities within the Group First Nation to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

A handwritten signature in black ink that reads "KPMG LLP" in a stylized, cursive font. A horizontal line is drawn underneath the signature.

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada

July 31, 2019

# M'CHIGEENG FIRST NATION

Index to Consolidated Financial Statements

Year ended March 31, 2019

---

## **Consolidated Financial Statements**

Exhibit A	Consolidated Statement of Financial Position	1
Exhibit B	Consolidated Statement of Operations and Accumulated Surplus	2
Exhibit C	Consolidated Statement of Changes in Net Financial Assets	3
Exhibit D	Consolidated Statement of Cash Flows	4
	Notes to Consolidated Financial Statements	5 - 19

# M'CHIGEENG FIRST NATION

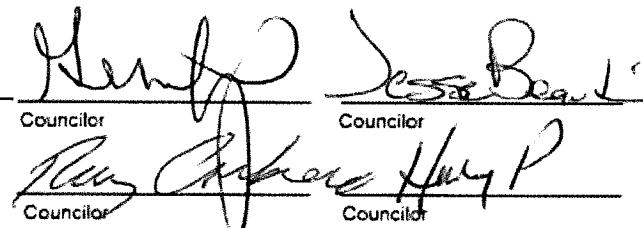
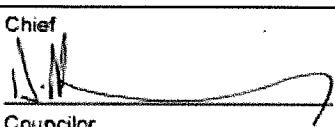
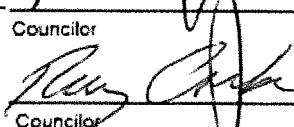
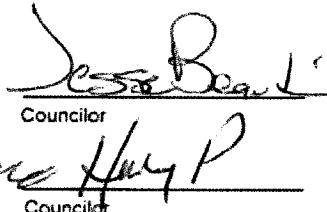
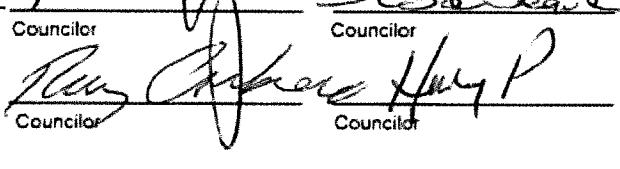
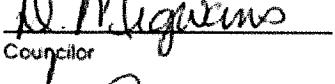
## Exhibit A - Consolidated Statement of Financial Position

March 31, 2019, with comparative information for 2018

	2019	2018
<b>Financial assets</b>		
Cash (note 2)	\$ 7,145,862	\$ 2,088,989
Accounts receivable	3,250,117	2,650,680
Investments (note 3)	689,188	676,573
Investment in HIAH entities (note 7)	3,095,050	2,410,920
Investment in MERE General Partner Inc. (note 4)	1,207,588	703,130
Advances to MERE General Partner Inc. (note 5)	3,826,858	3,820,764
Loan receivable from MERE General Partner Inc. (note 6)	665,325	724,685
Consolidated revenue fund (note 12)	277,879	256,770
	20,157,867	13,332,511
<b>Financial liabilities</b>		
Accounts payable and accrued liabilities	1,366,970	993,584
Deferred revenue (note 8)	2,657,573	591,451
Long-term debt (note 9)	7,537,186	5,904,022
	11,561,729	7,489,057
<b>Net financial assets</b>	8,596,138	5,843,454
<b>Non-financial assets</b>		
Tangible capital assets (note 10)	34,948,772	33,353,189
Prepaid expenses	190,014	210,996
	35,138,786	33,564,185
<b>Contingent liabilities (note 11)</b>		
<b>Accumulated surplus (note 13)</b>	\$ 43,734,924	\$ 39,407,639

See accompanying notes to consolidated financial statements.

On behalf of the First Nation:

  
 Chief   
 Councilor   
 Councilor   
 Councilor   
 Councilor   
 Councilor   
 Councilor 

# M'CHIGEENG FIRST NATION

## Exhibit B - Consolidated Statement of Operations and Accumulated Surplus

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

	2019 Budget	2019 Actual	2018 Actual
(note 14)			
<b>Revenue:</b>			
Government transfers - Provincial	\$ 4,119,249	\$ 4,157,301	\$ 3,988,953
- Federal	11,237,722	13,496,785	11,947,211
Investment income	-	190,344	117,566
Rental income	1,090,384	995,006	987,697
Business enterprises	-	695,367	527,889
Business operation	1,609,140	1,505,683	1,661,099
Other	4,632,126	4,505,806	4,714,204
	22,688,621	25,546,292	23,944,619
<b>Expenses:</b>			
Education	8,596,785	7,545,768	7,602,179
Public Works and Facilities	2,259,315	1,961,894	2,146,109
Community Services	527,688	687,477	573,000
Economic Advancement	366,826	320,915	181,918
Health Services	999,233	1,374,541	1,192,998
Health Agreement	1,764,339	1,586,067	1,544,626
Health Other	-	543,133	543,133
Administration	1,339,589	1,073,762	1,124,439
Rentals	186,502	204,202	188,916
Social Services	1,790,623	1,787,101	1,862,871
Employment and Training	515,705	604,268	608,680
Community Property	-	1,084,206	917,004
Subsidized Housing	909,318	824,340	882,185
Business Operations	1,637,240	1,575,701	1,611,485
Write-down of Investment	-	45,632	875,735
Total expenses	20,893,163	21,219,007	21,855,278
Excess of revenue over expenses	1,795,458	4,327,285	2,089,341
Accumulated surplus, beginning of year	39,407,639	39,407,639	37,318,298
Accumulated surplus, end of year	\$ 41,203,097	\$ 43,734,924	\$ 39,407,639

See accompanying notes to consolidated financial statements.

# M'CHIGEENG FIRST NATION

## Exhibit C - Consolidated Statement of Changes in Net Financial Assets

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

	2019 Budget (note 14)	2019 Actual	2018 Actual
Excess of revenue over expenses	\$ 1,795,458	\$ 4,327,285	\$ 2,089,341
Acquisition of tangible capital assets	(2,945,325)	(2,945,325)	(4,803,655)
Amortization of tangible capital assets	1,349,742	1,349,742	1,335,104
	199,875	2,731,702	(1,379,210)
Acquisition of prepaid expenses	-	(190,014)	(210,996)
Use of prepaid expenses	-	210,996	192,603
Change in net financial assets	199,875	2,752,684	(1,397,603)
Net financial assets, beginning of year	5,843,454	5,843,454	7,241,057
Net financial assets, end of year	\$ 6,043,329	\$ 8,596,138	\$ 5,843,454

See accompanying notes to consolidated financial statements.

# M'CHIGEENG FIRST NATION

## Exhibit D - Consolidated Statement of Cash Flows

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

	2019	2018
<b>Operating transactions:</b>		
Excess of revenue over expenses	\$ 4,327,285	\$ 2,089,341
Adjustment for:		
Amortization of tangible capital assets	1,349,742	1,335,104
Write-down of investment	45,632	875,735
Share of earnings business enterprises	(569,398)	(380,967)
	5,153,261	3,919,213
<b>Change in non-cash working capital:</b>		
Increase in accounts receivable	(599,437)	(818,542)
Increase (decrease) in accounts payable and accrued liabilities	373,387	(159,560)
Increase (decrease) in deferred revenue	2,066,122	(231,000)
Decrease (increase) in prepaid expenses	20,980	(18,395)
	7,014,313	2,691,716
<b>Capital transactions:</b>		
Purchase of tangible capital assets	(2,945,325)	(4,803,655)
<b>Financing transactions:</b>		
Issuance of long-term debt	2,061,175	410,337
Principal payments on long-term debt	(428,011)	(397,665)
	1,633,164	12,672
<b>Investing transactions:</b>		
Decrease in loan receivable from MERE General Partner Inc.	59,360	56,114
Contribution to Great Lakes Hospitality Group Partnership	(45,632)	(875,735)
Decrease in advances to MERE General Partner Inc.	(6,094)	77,926
Investment in HIAH entities	(631,804)	-
Increase in consolidated revenue fund	(21,109)	(20,131)
	(645,279)	(761,826)
<b>Net increase (decrease) in cash</b>	<b>5,056,873</b>	<b>(2,861,093)</b>
<b>Cash, beginning of year</b>	<b>2,088,989</b>	<b>4,950,082</b>
<b>Cash, end of year</b>	<b>\$ 7,145,862</b>	<b>\$ 2,088,989</b>

See accompanying notes to consolidated financial statements.

# M'CHIGEENG FIRST NATION

## Notes to Consolidated Financial Statements

Year ended March 31, 2019

---

The M'Chigeeng First Nation (the "First Nation"), located on Manitoulin Island, administers programs and provides services to First Nation members.

### **1. Significant accounting policies:**

These consolidated financial statements of the First Nation are the representation of management and have been prepared in accordance with Canadian generally accepted accounting principles for governments as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada. The following is a summary of the significant accounting policies followed in the preparation of these consolidated financial statements:

#### (a) Reporting entity:

- i) The reporting entity includes the activities of all committees of Council and related entities under the control of the First Nation.
- ii) Investment in MERE General Partner Inc. ("MERE") and HIAH Economic Dev LP ("HIAH"):

The investments in MERE and HIAH are accounted for by the modified equity method. Under the modified equity method, the accounting principles are not adjusted to conform with those of the First Nation and inter-organization transactions and balances are not eliminated.

#### (b) Investments:

Investments are recorded at cost. Temporary declines in the market value of the long-term investments are not adjusted.

#### (c) Revenue recognition:

Revenue is recognized as it becomes receivable under the terms of applicable funding agreements. Funding received under funding arrangements which relate to a subsequent fiscal period is reflected as deferred revenue.

#### (d) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

# M'CHIGEENG FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2019

---

## 1. Significant accounting policies (continued):

### (e) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Useful Life - Years
Land improvements	10 - 30 years
Buildings	10 - 40 years
Infrastructure	10 - 40 years
Machinery and equipment	5 - 15 years
Furniture, computers and fixtures	4 - 10 years
Assets under construction	—

Annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

### (f) Use of estimates:

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant items subject to such estimates and assumptions include the carrying amount of tangible capital assets and valuation allowances for receivables. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

# M'CHIGEENG FIRST NATION

## Notes to Consolidated Financial Statements

Year ended March 31, 2019

---

### 1. Significant accounting policies (continued):

#### (g) Prior year funding adjustments:

The First Nation has entered into accountable contribution arrangements with several government funding agencies. All such programs are subject to audit by the various governments with audit adjustments repayable to the government.

Adjustments made under funding arrangements relating to prior years are charged to operations in the year during which the adjustments are made.

### 2. Cash:

In accordance with various operating agreements between the First Nation and Canada Mortgage and Housing Corporation ("CMHC"), cash in the amount of \$1,506,017 (2018 - \$950,802) is restricted for this purpose.

### 3. Investments:

	2019	2018
Investment in U.C.C.M. Building Material Supply Limited Partnership	\$ 543,193	530,578
Investment in M'Nidoo M'Nising Limited Partnership	1	1
Investment in Robinson Huron Forestry Inc.	1	1
Investment in Sun Life Financial Inc.	145,992	145,992
Investment - Great Lakes Hospitality Group Partnership	1	1
	\$ 689,188	676,573

The investment in U.C.C.M. Building Material Supply Limited Partnership represents a 14.28% ownership interest and is accounted for using the equity method.

The investment in M'Nidoo M'Nising Limited Partnership represents a 16.55% ownership interest and is accounted for using the equity method.

The investment in Robinson Huron Forestry Inc. represents a 12.5% ownership interest and is accounted for using the equity method.

The investment in Sun Life Financial Inc. represents 6,636 shares and is reflected as the value assigned to the shares upon demutualization of the enterprise. The fair market value of the shares as at March 31, 2019 is \$340,692 (2018 - \$351,111).

The investment in the Great Lakes Hospitality Group Partnership represents a 28.67% ownership interest and is accounted for using the equity method.

# M'CHIGEENG FIRST NATION

## Notes to Consolidated Financial Statements

Year ended March 31, 2019

---

### 4. Investment in MERE General Partner Inc.:

The MERE General Partner Inc. is owned and controlled by the First Nation and is accounted for on a modified equity basis.

(a) The following table provides condensed supplementary financial information for the period ended March 31, 2019:

	2019	2018
<b>Financial Position:</b>		
Current assets	\$ 828,321	871,561
Non-current assets	9,835,611	9,511,507
	10,663,933	10,383,068
Current liabilities	715,611	694,244
Advances from M'Chigeeng First Nation	3,826,858	3,820,764
Long-term debt	4,913,876	5,164,930
	9,456,345	9,679,938
<b>Net assets</b>	<b>\$ 1,207,588</b>	<b>703,130</b>
<b>Results of operations:</b>		
Revenue	\$ 1,412,899	1,375,525
Expenses	908,441	1,272,603
<b>Net earnings</b>	<b>\$ 504,458</b>	<b>102,922</b>

(b) The investment at March 31, 2019 consists of the following:

	2019	2018
Balance, beginning of year	\$ 703,130	600,208
First Nation's share of operating income for the year	504,458	102,922
<b>Balance, end of year</b>	<b>\$ 1,207,588</b>	<b>703,130</b>

### 5. Advances to MERE General Partner Inc.:

The advances to MERE General Partner Inc. are unsecured, non-interest bearing and have no specified terms of repayment.

# M'CHIGEENG FIRST NATION

## Notes to Consolidated Financial Statements

Year ended March 31, 2019

---

### 6. Loan receivable from MERE General Partner Inc.:

	2019	2018
Loan receivable, bearing interest at 6.0% per annum and is repayable in 180 monthly blended payments of \$8,399 commencing on the date of commercial operation. No interest payable from the date of advance to the commercial operation date. The loan is secured by a promissory note.	\$ 665,325	724,685

### 7. Investment in HIAH entities:

The First Nation has a 99% interest in HIAH Economic Dev LP ("HIAH") and a further 1% interest by virtue of its 100% investment in HIAH Corp. (the general partner for HIAH). HIAH is engaged in business ventures, partnerships or enterprises which the Partners pursue in Canada for the general welfare or development of M'Chigeeng First Nation.

During the year, the First Nation provided HIAH with labour, contract support, accounting services and other operating expenses totaling \$310,701 (2018 - \$357,401). These transactions were entered into during the normal course of operations and were recorded at their exchange amount.

	2019	2018
<b>Financial Position:</b>		
Current assets	\$ 2,438,797	2,122,538
Non-current assets	1,909,581	1,567,132
	4,348,378	3,689,670
Current liabilities	264,578	145,000
Non-current liabilities	988,750	1,133,750
	1,253,328	1,278,750
<b>Net assets</b>	<b>\$ 3,095,050</b>	<b>2,410,920</b>

# M'CHIGEENG FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2019

## 7. Investment in HIAH entities (continued):

Results of operations:	2019	2018
Revenue	\$ 478,593	660,389
Expenses	426,268	404,074
Share of operations	\$ 52,325	256,315

The investment at March 31, 2019 consists of the following:

	2019	2018
Balance, beginning of year	\$ 2,410,920	2,154,605
Share of operating income (loss) for the year	52,325	256,315
Capital contribution	631,805	—
Balance, end of year	\$ 3,095,050	2,410,920

	2019	2018
Investment in business enterprises:		
100% interest in HIAH Corp.	\$ 10	10
99% interest in HIAH Economic Dev LP	3,095,040	2,410,910
	\$ 3,095,050	2,410,920

## 8. Deferred revenue:

	2019	2018
Indigenous Services Canada	\$ 2,196,076	460,545
Kenjgewin Teg Educational Institute	215,313	81,335
Ontario Trillium Foundation	118,121	36,871
Ministry of Education	79,067	—
Union of Ontario Indians	31,081	—
Other	17,915	—
Northern Ontario Heritage Fund Corporation	—	12,700
	\$ 2,657,573	591,451

# M'CHIGEENG FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2019

## 9. Long-term debt:

	2019	2018
1.3% Mortgage payable in monthly payments of \$3,453, including interest maturing April 2022	\$ 121,845	161,388
.98% Mortgage payable in monthly payments of \$3,026 including interest maturing November 2024	197,223	231,422
1.84% Mortgage payable in monthly payments of \$5,135 including interest maturing July 2027	471,454	523,943
1.44% Mortgage payable in monthly payments of \$3,147 including interest maturing February 2032	442,310	473,479
1.3% Mortgage payable in monthly payments of \$3,891 including interest maturing June 2032	564,881	603,873
2.5% Mortgage payable in monthly payments of \$5,311 including interest maturing January 2033	741,535	786,734
2.52% Mortgage payable in monthly payments of \$4,210 including interest maturing August 2033	607,713	642,721
1.85% Mortgage payable in monthly payments of \$3,194 including interest maturing June 2034	506,760	535,458
1.08% Mortgage payable in monthly payments of \$3,198 including interest maturing July 2035	571,843	603,871
1.05% Mortgage payable in monthly payments of \$3,866 including interest maturing April 2040	874,203	911,227
2.5% Mortgage payable in monthly payments of \$4,377 including interest maturing June 2043	953,245	410,337
2.49% Mortgage payable in monthly payments of \$2,843, including interest maturing May 2043	618,373	–
Loan payable to Bank of Montreal in monthly installments of \$2,175 including interest of 3.05% due December 2019	–	19,569
Mortgage payable to CMHC, terms and conditions not yet determined	865,801	–
	<hr/> \$ 7,537,186	<hr/> 5,904,022

The interest on the long-term debt is subsidized by CMHC in the amount of \$793,097 (2018 - \$375,992).

Principal repayments over the next five years are estimated as follows:

2020	\$ 431,137
2021	435,422
2022	439,781
2023	408,837
2024	416,114
Thereafter	5,405,895

# M'CHIGEENG FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2019

## 10. Tangible capital assets:

Cost	Balance at March 31, 2018	Additions	Disposals	Balance at March 31, 2019
Land	\$ 1,346,968	-	-	1,346,968
Land improvements	602,364	240,706	-	843,070
Buildings	27,483,713	15,706	-	27,499,419
Infrastructure	17,843,655	-	-	17,843,655
Machinery and equipment	3,620,299	168,045	-	3,788,344
Furniture, computers and fixtures	1,046,344	59,720	-	1,106,064
Assets under construction	3,734,254	2,701,854	(240,706)	6,195,402
<b>Total</b>	<b>\$ 55,677,597</b>	<b>3,186,031</b>	<b>(240,706)</b>	<b>58,622,922</b>

Accumulated amortization	Balance at March 31, 2018	Amortization	Disposals	Balance at March 31, 2019
Land	\$ -	-	-	-
Land improvements	240,061	25,074	-	265,135
Buildings	11,020,047	642,963	-	11,663,010
Infrastructure	8,117,826	413,064	-	8,530,890
Machinery and equipment	2,316,365	192,840	-	2,509,205
Furniture, computers and fixtures	630,109	75,801	-	705,910
Assets under construction	-	-	-	-
<b>Total</b>	<b>\$ 22,324,408</b>	<b>\$ 1,349,742</b>	<b>-</b>	<b>23,674,150</b>

	Net book value, March 31, 2018	Net book value, March 31, 2019
Land	\$ 1,346,968	1,346,968
Land improvements	362,303	577,935
Buildings	16,463,666	15,836,409
Infrastructure	9,725,829	9,312,765
Machinery and equipment	1,303,934	1,279,139
Furniture, computers and fixtures	416,235	400,154
Assets under construction	3,734,254	6,195,402
<b>Total</b>	<b>\$ 33,353,189</b>	<b>34,948,772</b>

# M'CHIGEENG FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2019

## 10. Tangible capital assets (continued):

Cost	Balance at March 31, 2017	Additions	Disposals	Balance at March 31, 2018
Land	\$ 1,346,968	-	-	1,346,968
Land improvements	602,364	-	-	602,364
Buildings	25,495,292	1,988,421	-	27,483,713
Infrastructure	17,627,737	215,918	-	17,843,655
Machinery and equipment	3,218,473	401,826	-	3,620,299
Furniture, computers and fixtures	899,887	146,457	-	1,046,344
Assets under construction	1,683,221	2,051,033	-	3,734,254
<b>Total</b>	<b>\$ 50,873,942</b>	<b>4,803,655</b>	<b>-</b>	<b>55,677,597</b>

Accumulated amortization	Balance at March 31, 2017	Amortization	Disposals	Balance at March 31, 2018
Land	\$ -	-	-	-
Land improvements	218,999	21,062	-	240,061
Buildings	10,377,086	642,961	-	11,020,047
Infrastructure	7,704,060	413,766	-	8,117,826
Machinery and equipment	2,129,493	186,872	-	2,316,365
Furniture, computers and fixtures	559,666	70,443	-	630,109
Assets under construction	-	-	-	-
<b>Total</b>	<b>\$ 20,989,304</b>	<b>\$ 1,335,104</b>	<b>-</b>	<b>22,324,408</b>

	Net book value, March 31, 2017	Net book value, March 31, 2018
Land	\$ 1,346,968	1,346,968
Land improvements	383,365	362,303
Buildings	15,118,206	16,463,666
Infrastructure	9,923,677	9,725,829
Machinery and equipment	1,088,980	1,303,934
Furniture, computers and fixtures	340,221	416,235
Assets under construction	1,683,221	3,734,254
<b>Total</b>	<b>\$ 29,884,638</b>	<b>33,353,189</b>

# M'CHIGEENG FIRST NATION

## Notes to Consolidated Financial Statements

Year ended March 31, 2019

---

### 11. Contingent liabilities:

#### Loan guarantees and commitments:

- (i) The First Nation has endorsed CMHC loans made to various Band members under the Rural Rehabilitation Assistance Program and is contingently liable.
- (ii) Indigenous Services Canada ("ISC") has guaranteed certain CMHC Section 9 loans to various First Nation members, the balance of which is \$243,729 (2018 - \$286,179). If any of the loans are in default and require payment by ISC, the amount will be charged back to the First Nation.
- (iii) The First Nation, by Band Council Resolution, has guaranteed on behalf of First Nation members housing and business loans from RBC in the amount of \$431,476 (2018 - \$487,919).
- (iv) The First Nation, by Band Council Resolution, has guaranteed on behalf of First Nation members housing and business loans from BMO in the amount of \$1,377,299 (2018 - \$1,257,027).
- (v) Under terms of a loan facility agreement between the Bank of Montreal and the Great Lakes Hospitality Limited Partnership (the "GLHLP") the First Nation has guaranteed an amount proportional to its 28.67% equity interest in the partnership. The principal amount of the loan was for \$4,309,552. In addition, the First Nation in conjunction with the other limited partners has guaranteed on a joint and several basis obligations to make any payments due by the GLHLP under terms of the loan facility.
- (vi) In accordance with terms and conditions of a financing arrangement between the Bank of Montreal and the Robinson Huron Treaty (the "Trust"), the First Nation as a beneficiary of the Trust has guaranteed borrowing in proportion to its beneficial interest in the Trust in the amount of \$478,500. As at March 31, 2019, its proportional outstanding loan balance as part of the Trust is \$478,500.

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

- (vii) Under terms of a loan facility agreement between the Bank of Montreal and HIAH Economic Dev LP the First Nation has guaranteed loans in the amount of \$1,450,000. The outstanding balance of the loan as of March 31, 2019 is \$1,133,750.

### 12. Consolidated revenue fund:

The following schedule details the receipt and expenditure for the consolidated revenue fund:

	Revenue	Capital	Total
Balance, beginning of year	\$ 184,255	72,515	256,770
Interest	21,109	-	21,109
Balance, end of year	\$ 205,364	72,515	277,879

# M'CHIGEENG FIRST NATION

## Notes to Consolidated Financial Statements

Year ended March 31, 2019

---

### 13. Accumulated surplus:

	2019	2018
<b>Surplus:</b>		
Invested in tangible capital assets	\$ 26,828,831	26,866,412
Business enterprises	9,338,014	8,190,077
Unfinanced capital housing	—	(1,312,858)
Unfinanced capital lagoon	(441,476)	(441,476)
Unfinanced business development centre equipment	(361,804)	—
Unfinanced business development centre	(1,844,447)	(1,057,252)
Other	2,150,884	970,151
	35,670,002	33,215,054
 <b>Reserves</b>		
Reserve Funds	3,146,115	2,133,031
Committed Reserves	2,584,430	2,312,480
	2,334,377	1,747,074
	 \$ 43,734,924	39,407,639

### 14. Budget information:

The budget data presented in these consolidated financial statements is based upon the operating and capital budgets approved by Council. The reconciliation of the approved budget to the budget figures reported on these consolidated financial statements is listed below:

---

#### Approved expense budget:

Total expenses per budget	\$ 22,127,006
---------------------------	---------------

#### Less:

Capital acquisition	(2,155,574)
---------------------	-------------

Principal payments on long-term debt	(428,011)
--------------------------------------	-----------

---

(2,583,585)
-------------

#### Add:

Amortization of tangible capital assets	1,349,742
---	-----------

---

Expense budget per financial statements	\$ 20,893,163
---	---------------

### 15. Comparative information:

Certain 2018 comparative information have been reclassified where necessary to conform to the current year presentation.

# M'CHIGEENG FIRST NATION

## Notes to Consolidated Financial Statements

Year ended March 31, 2019

---

### **16. Segmented information:**

M'Chigeeng First Nation is a diversified governmental institution that provides a wide range of services to its Members, including education, public works, community services, economic and community development, health services, administration, housing, capital, social services and She'ndwin Teg Gaming. 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:

#### **Education**

The education department provides services to elementary students through the operation of an on-reserve elementary school. Service contracts with provincially funded area school boards are entered into for secondary students. In addition, the department reimburses tuition costs and provides living and other allowances to students who are attending post-secondary institutions. The department also operates and provides the community with day-care services.

#### **Public Works**

The public works department provides public services that contribute to sustainability through the provision of maintenance and operating services such as roads, water and sanitation, fire protection, electrical and community buildings.

#### **Community Services**

The community service department provides a wide range of support services for children and families.

#### **Economic Advancement**

This department is responsible for identifying and developing economic opportunities for the benefit of the First Nation and its Members such as the MERE project. The department also secures and delivers employment training funding for the First Nation.

#### **Health Services**

The health services department provides a diverse bundle of services directed towards the well being of the members including the delivery of programming such as long-term care, diabetes, mental health, healthy babies, home and community care and many other smaller programs designed to enhance the health of members. The health department also manages the operations of the Health Centre and Wellness Centre.

# M'CHIGEENG FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2019

---

## **16. Segmented information (continued):**

### **Administration**

The administration department oversees the delivery of all governmental services. The department is responsible for ensuring that there are adequate policies and procedures in place to safeguard assets and to properly report financial activities. In addition, this department includes the governance activities of chief and manages the operations of the Post Office

### **Subsidized Housing**

The housing department manages the operations of the various rental housing stock owned by the First Nation including both CMHC and other housing. This includes tenant identification, rent collection and maintenance management.

### **Employment and Training**

The employment and training department delivers a variety of programming including Ontario works and offers employment support services. In addition, the department manages the homemakers and national child benefit programs.

### **Community Property**

This department is responsible for all capital asset activities occurring in the First Nation during the year, including housing construction and renovations as well as major projects such as water and building construction.

### **Business Operations**

Business Operations commission is responsible for the implementation and delivery of all gaming related activities on the First Nation.

For each reported segment, revenues and expenses include amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis.

Therefore, certain allocation methodologies are employed in the preparation of segmented financial information, including transfers that have been apportioned based on a percentage of budgeted expenses.

The accounting policies used in these segments are consistent with those followed in the preparation the consolidated financial statements as disclosed in the summary of significant accounting policies.

## M'CHIGEENG FIRST NATION

Note 16 Segmented Information (continued)

Year ended March 31, 2019

	Education	Public Works	Community Services	Economic Advancement	Health Services	Administration	Subsidized Housing	Employment and Training	Community Property	Business Operations	2019 Total
Revenue	\$ 7,968,298	1,252,721	715,033	171,867	3,476,339	3,842,825	1,541,561	2,411,539	2,660,426	1,505,683	25,546,292
Expenses											
Salaries, benefits and honorarium	3,470,154	588,707	309,698	271,726	2,007,510	906,740	534,828	211,326	122,783	8,423,472	
Materials, supplies and rentals	539,302	289,044	211,663	21,078	396,875	382,631	205,006	252,204	303,513	1,430,254	
Contractual and professional	657,213	147,537	3,027	84,891	200,016	145,480	33,169	13,381	3,135,605	4,031,570	
Travel and training	199,008	32,296	35,462	7,868	269,459	69,148	-	245,364	20,631	2,408	4,423,363
Other	2,604,889	359,852	123,683	(64,648)	508,073	(431,986)	321,929	1,339,356	148,772	17,212	881,644
Interest on long-term debt	-	-	-	-	-	-	127,408	-	-	-	4,927,132
Amortization	122,773	648,604	3,944	-	128,907	98,249	341,030	6,236	-	-	127,408
Investment in tangible capital assets	(47,571)	(104,146)	-	-	(7,099)	(50,868)	-	(2,735,641)	-	-	1,349,743
	7,545,768	1,961,894	637,477	320,915	3,503,741	1,119,394	1,028,542	2,391,369	1,984,206	1,575,701	21,219,007
Excess (deficiency) of revenue over expenses	\$ 422,530	(709,173)	27,556	(149,048)	(27,402)	2,723,431	53,019	20,170	1,576,220	(70,018)	4,327,285

## M'CHIGEENG FIRST NATION

Note 16 - Segmented Information (continued)

Year ended March 31, 2018

	Education	Public Works	Community Services	Economic Advancement	Health Services	Administration	Subsidized Housing	Employment and Training	Community Property	Business Operations	2018 Total
Revenue	\$ 7,806,193	1,400,220	666,568	181,918	3,255,269	3,124,655	1,109,657	2,510,944	2,228,096	1,661,099	23,944,619
Expenses:											
Salaries, benefits and honorarium	3,579,023	518,039	263,419	193,841	1,863,421	791,041	—	427,266	232,035	87,702	7,955,787
Materials, supplies and rentals	647,661	802,819	158,673	10,638	369,374	362,548	342,610	397,341	217,409	1,481,557	4,790,630
Contractual and professional	717,486	161,991	8,026	110,685	383,429	186,146	30,750	18,587	4,212,136	4,444	5,833,680
Travel and training	192,315	38,197	26,895	12,490	297,708	41,006	—	236,359	5,063	6,219	856,252
Other	2,729,297	450,503	112,043	(145,736)	337,331	540,069	271,276	1,394,546	81,150	31,563	5,802,042
Interest on long-term debt	—	—	—	—	—	85,435	—	—	—	—	85,435
Amortization	118,933	639,928	3,944	—	129,078	93,524	341,030	8,670	—	—	1,335,107
Investment in tangible capital assets	(382,536)	(465,368)	—	—	(99,584)	(14,160)	—	(11,218)	(3,830,789)	—	(4,803,655)
	7,602,179	2,146,109	573,000	181,918	3,280,757	2,000,174	1,071,101	2,471,551	917,004	1,611,485	21,855,278
Excess (deficiency) of revenue over expenses	\$ 204,014	(745,839)	93,568	—	(25,488)	1,124,481	38,556	39,393	1,311,092	49,614	2,089,341