

Consolidated Financial Statements of

M'CHIGEENG FIRST NATION

And Independent Auditors' Report thereon

Year ended March 31, 2020



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INDEPENDENT AUDITORS' REPORT

To the Members of M'Chigeeng First Nation

Opinion

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

- the consolidated statement of financial position as at March 31, 2020
- 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 consolidated 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, 2020, 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". The "KPMG" is written in a cursive script, and "LLP" is written in a smaller, more formal font directly below it, all underlined with a single horizontal line.

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada

August 12, 2020

M'CHIGEENG FIRST NATION

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Year ended March 31, 2020

Consolidated Financial Statements

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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

Councilor

Councilor

Councilor

M'CHIGEENG FIRST NATION

Exhibit A - Consolidated Statement of Financial Position

March 31, 2020, with comparative information for 2019

	2020	2019
Financial assets		
Cash (note 2)	\$ 10,280,666	\$ 7,145,862
Accounts receivable	3,230,012	3,250,117
Investments (note 3)	715,526	689,188
Investment in HIAH entities (note 7)	2,790,842	3,095,050
Investment in MERE General Partner Inc. (note 4)	1,680,874	1,207,588
Advances to MERE General Partner Inc. (note 5)	3,799,609	3,826,858
Loan receivable from MERE General Partner Inc. (note 6)	602,282	665,325
Consolidated revenue fund (note 12)	298,436	277,879
	<u>23,398,247</u>	<u>20,157,867</u>
Financial liabilities		
Accounts payable and accrued liabilities	2,578,546	1,366,970
Deferred revenue (note 8)	2,240,463	2,657,573
Long-term debt (note 9)	7,184,728	7,537,186
	<u>12,003,737</u>	<u>11,561,729</u>
Net financial assets	11,394,510	8,596,138
Non-financial assets		
Tangible capital assets (note 10)	35,738,280	34,948,772
Prepaid expenses	183,751	190,014
	<u>35,922,031</u>	<u>35,138,786</u>
Contingent liabilities (note 11)		
Effects of COVID-19 (note 16)		
Accumulated surplus (note 13)	\$ 47,316,541	\$ 43,734,924

See accompanying notes to consolidated financial statements.

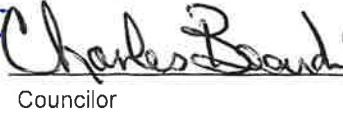
On behalf of the First Nation:

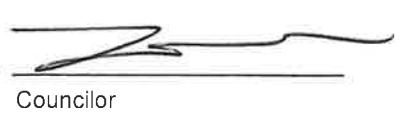

 Chief


 Councilor


 Councilor


 Councilor


 Councilor


 Councilor


 Councilor

M'CHIGEENG FIRST NATION

Exhibit B - Consolidated Statement of Operations and Accumulated Surplus

Year ended March 31, 2020, with comparative information for 2019

	2020 Budget	2020 Actual	2019 Actual
	(note 14)		
Revenue:			
Government transfers - Provincial	\$ 3,722,035	\$ 4,047,727	\$ 4,157,301
- Federal	11,318,241	14,066,477	13,496,785
Investment income	-	290,434	190,344
Rental income	766,068	864,904	995,006
Business enterprises	-	156,215	695,367
Business operation	1,609,140	1,448,581	1,505,683
Other	6,397,247	4,764,340	4,505,806
	23,812,731	25,638,678	25,546,292
Expenses:			
Education	9,181,552	7,294,904	7,545,768
Public Works and Facilities	983,379	2,327,918	1,961,894
Community Services	931,411	1,017,534	687,477
Economic Advancement	563,800	328,299	320,915
Health Services	1,148,878	1,316,436	1,374,541
Health Agreement	1,747,813	1,651,153	1,586,067
Health Other	-	520,601	543,133
Administration	2,738,845	1,846,855	1,073,762
Rentals	178,728	100,892	204,202
Social Services	1,721,099	1,775,724	1,787,101
Employment and Training	563,283	555,311	604,268
Community Property	-	956,888	1,084,206
Subsidized Housing	1,074,817	858,836	824,340
Business Operations	1,637,240	1,469,996	1,575,701
Write-down of Investment	-	35,714	45,632
Total expenses	22,470,845	22,057,061	21,219,007
Excess of revenue over expenses	1,341,886	3,581,617	4,327,285
Accumulated surplus, beginning of year	43,734,924	43,734,924	39,407,639
Accumulated surplus, end of year	\$ 45,076,810	\$ 47,316,541	\$ 43,734,924

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, 2020, with comparative information for 2019

	2020 Budget	2020 Actual	2019 Actual
	(note 14)		
Excess of revenue over expenses	\$ 1,341,886	\$ 3,581,617	\$ 4,327,285
Acquisition of tangible capital assets	(2,836,769)	(2,836,769)	(2,945,325)
Amortization of tangible capital assets	1,525,490	1,525,490	1,349,742
Gain on sale of tangible capital assets	-	(113,840)	-
Proceeds on sale of tangible capital assets	-	635,611	-
	30,607	2,792,109	2,731,702
Acquisition of prepaid expenses	-	(183,751)	(190,014)
Use of prepaid expenses	-	190,014	210,996
Change in net financial assets	30,607	2,798,372	2,752,684
Net financial assets, beginning of year	5,843,454	8,596,138	5,843,454
Net financial assets, end of year	\$ 5,874,061	\$ 11,394,510	\$ 8,596,138

See accompanying notes to consolidated financial statements.

M'CHIGEENG FIRST NATION

Exhibit D - Consolidated Statement of Cash Flows

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Operating transactions:		
Excess of revenue over expenses	\$ 3,581,617	\$ 4,327,285
Adjustment for:		
Amortization of tangible capital assets	1,525,490	1,349,742
Gain on sale of tangible capital assets	(113,840)	-
Write-down of investment	35,714	45,632
Share of earnings business enterprises	38,724	(569,398)
	5,067,705	5,153,261
Change in non-cash working capital:		
Decrease (increase) in accounts receivable	20,105	(599,437)
Increase in accounts payable and accrued liabilities	1,211,579	373,387
Increase (decrease) in deferred revenue	(417,110)	2,066,122
Decrease in prepaid expenses	6,261	20,980
	5,888,540	7,014,313
Capital transactions:		
Proceeds on sale of tangible capital assets	635,611	-
Purchase of tangible capital assets	(2,836,769)	(2,945,325)
	(2,201,158)	(2,945,325)
Financing transactions:		
Issuance of long-term debt	104,200	2,061,175
Principal payments on long-term debt	(456,658)	(428,011)
	(352,458)	1,633,164
Investing transactions:		
Decrease in loan receivable from MERE General Partner Inc.	63,043	59,360
Contribution to Great Lakes Hospitality Group Partnership	(35,714)	(45,632)
Decrease in advances to MERE General Partner Inc.	27,249	(6,094)
Investment in HIAH entities	(234,141)	(631,804)
Increase in consolidated revenue fund	(20,557)	(21,109)
	(200,120)	(645,279)
Net decrease in cash	3,134,804	5,056,873
Cash, beginning of year	7,145,862	2,088,989
Cash, end of year	\$ 10,280,666	\$ 7,145,862

See accompanying notes to consolidated financial statements.

M'CHIGEENG FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2020

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.

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Notes to Consolidated Financial Statements

Year ended March 31, 2020

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.

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Notes to Consolidated Financial Statements

Year ended March 31, 2020

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 \$1,314,444 (2019 - \$1,506,017) is restricted for this purpose.

3. Investments:

	2020	2019
Investment in U.C.C.M. Building Material Supply Limited Partnership	\$ 569,531	\$ 543,193
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
	<hr/> \$ 715,526	<hr/> \$ 689,188

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, 2020 is \$300,412 (2019 - \$340,692).

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

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Notes to Consolidated Financial Statements

Year ended March 31, 2020

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, 2020:

	2020	2019
Financial Position:		
Current assets	\$ 910,458	\$ 828,321
Non-current assets	9,467,018	9,835,612
	<u>10,377,476</u>	<u>10,663,933</u>
Current liabilities	766,424	715,611
Advances from M'Chigeeng First Nation	3,799,608	3,826,858
Long-term debt	4,130,570	4,913,876
	<u>8,696,602</u>	<u>9,456,345</u>
Net assets	\$ 1,680,874	\$ 1,207,588
Results of operations:		
Revenue	\$ 1,454,264	\$ 1,412,899
Expenses	980,978	908,441
Net earnings	\$ 473,286	\$ 504,458

(b) The investment at March 31, 2020 consists of the following:

	2020	2019
Balance, beginning of year	\$ 1,207,588	\$ 703,130
First Nation's share of operating income for the year	473,286	504,458
Balance, end of year	\$ 1,680,874	\$ 1,207,588

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, 2020

6. Loan receivable from MERE General Partner Inc.:

	2020	2019
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.	\$ 602,282	\$ 665,325

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 \$260,383 (2019 - \$310,701). These transactions were entered into during the normal course of operations and were recorded at their exchange amount.

	2020	2019
Financial Position :		
Current assets	\$ 2,224,709	\$ 2,438,797
Non-current assets	1,878,712	1,909,581
	4,103,421	4,348,378
Current liabilities	468,829	264,578
Non-current liabilities	843,750	988,750
	1,312,579	1,253,328
Net assets	\$ 2,790,842	\$ 3,095,050

M'CHIGEENG FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2020

7. Investment in HIAH entities (continued):

Results of operations:	2020	2019
Revenue	\$ 2,585,757	\$ 478,593
Expenses	3,124,105	426,268
Share of operations	\$ (538,348)	\$ 52,325

The investment at March 31, 2020 consists of the following:

	2020	2019
Balance, beginning of year	\$ 3,095,050	\$ 2,410,920
Share of operating income (loss) for the year	(538,348)	52,325
Capital contribution	234,140	631,805
Balance, end of year	\$ 2,790,842	\$ 3,095,050

	2020	2019
Investment in business enterprises:		
100% interest in HIAH Corp.	\$ 10	\$ 10
99% interest in HIAH Economic Dev LP	2,790,832	3,095,040
	\$ 2,790,842	\$ 3,095,050

8. Deferred revenue:

	2020	2019
Indigenous Services Canada	\$ 1,725,884	\$ 2,196,076
Kenjgewin Teg Educational Institute	297,004	215,313
Union of Ontario Indians	215,785	31,081
Other	1,790	17,915
Ontario Trillium Foundation	–	118,121
Ministry of Education	–	79,067
	\$ 2,240,463	\$ 2,657,573

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Notes to Consolidated Financial Statements

Year ended March 31, 2020

9. Long-term debt:

	2020	2019
1.30% Mortgage payable in monthly payments of \$3,453, including interest maturing April 2022	\$ 81,758	\$ 121,845
0.98% Mortgage payable in monthly payments of \$3,026 including interest maturing November 2024	162,692	197,223
1.84% Mortgage payable in monthly payments of \$5,135 including interest maturing July 2027	418,044	471,454
1.44% Mortgage payable in monthly payments of \$3,147 including interest maturing February 2032	410,704	442,310
1.30% Mortgage payable in monthly payments of \$3,891 including interest maturing June 2032	525,293	564,881
2.50% Mortgage payable in monthly payments of \$5,311 including interest maturing January 2033	695,764	741,535
2.52% Mortgage payable in monthly payments of \$4,210 including interest maturing August 2033	572,053	607,713
1.85% Mortgage payable in monthly payments of \$3,194 including interest maturing June 2034	477,527	506,760
1.08% Mortgage payable in monthly payments of \$3,198 including interest maturing July 2035	539,481	571,843
1.05% Mortgage payable in monthly payments of \$3,866 including interest maturing April 2040	836,808	874,203
2.50% Mortgage payable in monthly payments of \$4,377 including interest maturing June 2043	924,152	953,245
2.49% Mortgage payable in monthly payments of \$2,843, including interest maturing May 2043	599,391	618,373
1.69% Mortgage payable in monthly payments of \$6,133, including interest maturing September 2043	941,061	865,801
	<hr/> \$ 7,184,728	<hr/> \$ 7,537,186

The interest on the long-term debt is subsidized by CMHC in the amount of \$490,718 (2019 - \$793,097).

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

2021	\$ 493,533
2022	501,948
2023	468,938
2024	477,234
2025	470,546
Thereafter	4,772,529

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Notes to Consolidated Financial Statements

Year ended March 31, 2020

10. Tangible capital assets:

Cost	Balance at March 31, 2019	Additions	Disposals	Balance at March 31, 2020
Land	\$ 1,346,968	25,672	-	1,372,640
Land improvements	843,070	137,650	-	980,720
Buildings	27,499,419	7,315,800	(671,450)	34,143,769
Infrastructure	17,843,655	-	-	17,843,655
Machinery and equipment	3,788,344	418,256	-	4,206,600
Furniture, computers and fixtures	1,106,064	74,594	-	1,180,658
Assets under construction	6,195,402	1,835,507	(6,970,708)	1,060,201
Total	\$ 58,622,922	9,807,479	(7,642,158)	60,788,243

Accumulated amortization	Balance at March 31, 2019	Amortization	Disposals	Balance at March 31, 2020
Land	\$ -	-	-	-
Land improvements	265,135	27,368	-	292,503
Buildings	11,663,010	833,641	(149,678)	12,346,973
Infrastructure	8,530,890	402,596	-	8,933,486
Machinery and equipment	2,509,205	196,384	-	2,705,589
Furniture, computers and fixtures	705,910	65,502	-	771,412
Assets under construction	-	-	-	-
Total	\$ 23,674,150	\$ 1,525,491	(149,678)	25,049,963

	Net book value, March 31, 2019	Net book value, March 31, 2020
Land	\$ 1,346,968	1,372,640
Land improvements	577,935	688,217
Buildings	15,836,409	21,796,796
Infrastructure	9,312,765	8,910,169
Machinery and equipment	1,279,139	1,501,011
Furniture, computers and fixtures	400,154	409,246
Assets under construction	6,195,402	1,060,201
Total	\$ 34,948,772	35,738,280

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Notes to Consolidated Financial Statements

Year ended March 31, 2020

10. Tangible capital assets (continued):

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
Total	\$ 55,677,597	3,186,031	(240,706)	58,622,922

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	-	-	-	-
Total	\$ 22,324,408	\$ 1,349,742	-	23,674,150

	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
Total	\$ 33,353,189	34,948,772

M'CHIGEENG FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2020

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 \$195,021 (2019 - \$243,729). 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 \$384,688 (2019 - \$431,476).
- (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 \$1,767,826 (2019 - \$1,377,299).
- (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, 2020, its proportional outstanding loan balance as part of the Trust is \$476,736.
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, 2020 is \$988,750.

12. Consolidated revenue fund:

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

	Revenue	Capital	Total
Balance, beginning of year	\$ 205,364	72,515	\$ 277,879
Interest	20,557	-	20,557
Balance, end of year	\$ 225,921	72,515	\$ 298,436

M'CHIGEENG FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2020

13. Accumulated surplus:

	2020	2019
Surplus:		
Invested in tangible capital assets	\$ 27,970,797	\$ 26,828,831
Business enterprises	9,443,138	9,338,014
Unfinanced capital lagoon	(441,476)	(441,476)
Unfinanced business development centre equipment	(160,233)	(361,804)
Unfinanced business development centre	(1,844,447)	(1,844,447)
Other	2,809,298	2,150,884
	37,777,077	35,670,002
Reserves	3,313,333	3,146,115
Reserve Funds	3,590,932	2,584,430
Committed Reserves	2,635,199	2,334,377
	\$ 47,316,541	\$ 43,734,924

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	\$ 24,238,783
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Less:

Capital acquisition	(2,836,771)
Principal payments on long-term debt	(456,658)
	(3,293,429)

Add:

Amortization of tangible capital assets	1,525,491
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Expense budget per financial statements	\$ 22,470,845
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15. Comparative information:

Certain 2019 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, 2020

16. Effects of COVID-19:

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian and Ontario governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally and in Ontario resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions however the success of these interventions is not currently determinable. The current challenging economic climate may lead to adverse changes in cash flows, working capital levels and/or debt balances, which may also have a direct impact on the First Nation's operating results and financial position in the future. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect to the First Nation's business is not known at this time.

17. 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.

M'CHIGEENG FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2020

17. Segmented information (continued):

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 MERÉ 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.

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.

M'CHIGEENG FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2020

17. Segmented information (continued):

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 17 - Segmented Information (continued)

Year ended March 31, 2020

	Education	Public Works	Community Services	Economic Advancement	Health Services	Administration	Subsidized Housing	Employment and Training	Community Property	Business Operations	2020 Total
Revenue	\$ 7,948,837	1,246,509	1,054,200	401,175	3,422,033	3,565,044	1,148,723	2,343,195	3,060,381	1,448,581	25,638,678
Expenses:											
Salaries, benefits and honorarium	3,325,631	572,924	454,638	212,490	2,080,485	1,133,991	—	380,352	180,559	79,477	8,420,547
Materials, supplies and rentals	452,455	563,708	252,702	33,814	573,915	342,339	199,053	283,781	110,306	1,366,845	4,178,918
Contractual and professional	280,720	145,750	105,275	28,250	260,516	256,316	19,255	—	1,999,386	1,875	3,097,343
Travel and training	73,519	39,267	38,287	11,264	267,393	61,533	—	253,053	7,649	1,858	753,823
Other	3,032,551	416,465	162,688	40,503	352,524	13,166	240,803	1,474,028	1,025,211	19,941	6,777,880
Interest on long-term debt	—	—	—	1,977	—	—	137,851	—	—	—	139,828
Amortization	141,885	759,557	3,944	—	122,455	100,896	387,517	9,236	—	—	1,525,490
Investment in tangible capital assets	(11,857)	(169,753)	—	—	(169,099)	(25,672)	(24,749)	(69,415)	(2,366,223)	—	(2,836,768)
Excess (deficiency) of revenue over expenses	\$ 653,933	(1,081,409)	36,666	72,877	(66,156)	1,682,475	188,993	12,160	2,103,493	(21,415)	3,581,617

M'CHIGEENG FIRST NATION

Note 17 - Segmented Information (continued)

Year ended March 31, 2020

	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	4,031,570
Contractual and professional	657,213	147,537	3,027	84,891	200,016	145,480	33,169	13,381	3,135,605	3,044	4,423,363
Travel and training	199,008	32,296	35,462	7,868	269,459	69,148	-	245,364	20,631	2,408	881,644
Other	2,604,889	359,852	123,683	(64,648)	508,073	(431,986)	321,929	1,339,356	148,772	17,212	4,927,132
Interest on long-term debt	-	-	-	-	-	-	127,408	-	-	-	127,408
Amortization	122,773	648,604	3,944	-	128,907	98,249	341,030	6,236	-	-	1,349,743
Investment in tangible capital assets	(47,571)	(104,146)	-	-	(7,099)	(50,668)	-	-	(2,735,641)	-	(2,945,325)
Excess (deficiency) of revenue over expenses	\$ 422,530	(709,173)	27,556	(149,048)	(27,402)	2,723,431	513,019	20,170	1,576,220	(70,018)	4,327,285