

BATCHEWANA FIRST NATION

**236 Frontenac Street
Rankin Reserve 15D
Batchewan First Nation, ON P6A 6Z1**

PRIVATE AND CONFIDENTIAL
Indigenous and Northern Affairs Canada
40 Elm Street, Suite 290
Rainbow Centre - 2nd floor
Sudbury ON P3C 1S8

RECEIVED

JUL 30 2018

July 30, 2018

Indigenous Services Canada
Services aux Autochtones Canada
Sudbury

Dear Sir or Madam:

Batchewana First Nation

Re: March 31, 2018

We are submitting to your office the following items which comply with terms of the FNFTA and can be made available on your internet site:

- Audited Financial Statements
- Schedule of Remuneration and Expenses – Chief & Council

The following other required reporting documents will not be published and are for your internal purposes only:

- Schedule of Remuneration and Expenses – Unelected Senior Officials
- Revenues and Expenses – Indigenous and Northern Affairs Canada
- Revenues and Expenses – Health Canada

We trust this is satisfactory. Should you have any questions or require any additional information, please do not hesitate to contact our office.

Yours truly,



Kim Lambert
Chief Executive Officer

Financial Information of

BATCHEWANA FIRST NATION

Schedule of Remuneration and Expenses

Unelected Senior Officials

(Unaudited)

Year ended March 31, 2018



KPMG LLP
111 Elgin Street, Suite 200
Sault Ste. Marie ON P6A 6L6
Canada
Telephone (705) 949-5811
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INDEPENDENT PRACTITIONERS' REVIEW ENGAGEMENT REPORT

To the Chief and Council of Batchewana First Nation and Indigenous and
Northern Affairs Canada

We have reviewed the accompanying schedule of remuneration and expenses of the Batchewana First Nation (the "First Nation") Unelected Senior Officials for the year ended March 31, 2018 and note, comprising the basis of accounting and other explanatory information (together "the schedule"). The schedule has been prepared by management in accordance with the 2017-2018 Indigenous and Northern Affairs Canada Financial Reporting Requirements.

Management's Responsibility for the Schedule

Management is responsible for the preparation of the schedule in accordance with the 2017-2018 Indigenous and Northern Affairs Canada Financial Reporting Requirements, and for such internal control as management determines is necessary to enable the preparation of the schedule that is free from material misstatement, whether due to fraud or error.

Practitioners' Responsibility

Our responsibility is to express a conclusion on the accompanying schedule based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of the schedule in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedure, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on this schedule.



Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the schedule of remuneration and expenses of the Unelected Senior Officials of Batchewana First Nation for the year ended March 31, 2018 is not prepared, in all material respects, in accordance with the 2017-2018 Indigenous and Northern Affairs Canada Financial Reporting Requirements.

Basis of Accounting

We draw attention to Note 1 to the schedule, which describes the basis of accounting. The schedule is prepared to meet the 2017-2018 Indigenous and Northern Affairs Canada Financial Reporting Requirements. As a result, the schedule may not be suitable for another purpose. Our conclusion is not modified in respect of this matter.

Restriction on Use

Our report is intended solely for the Chief and Council of Batchewana First Nation and Indigenous and Northern Affairs Canada and should not be used by parties other than the Chief and Council of Batchewana First Nation and Indigenous and Northern Affairs Canada.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Sault Ste. Marie, Canada

July 18, 2018

BATCHEWANA FIRST NATION

Schedule of Remuneration and Expenses

Unelected Senior Officials

Year ended March 31, 2018

Position Title	Number of Months ¹	Remuneration	Other Remuneration ²	Expenses Reimbursed as part of Other Remuneration ²
Chief Executive Officer	12	\$ 105,239	\$ -	\$ -

¹ The number of months during the fiscal year that the individual was on staff.

² As per the First Nations Financial Transparency Act: "remuneration" means any salaries, wages, commissions, bonuses, fees, honoraria and dividends and reimbursement of expenses - including the costs of transportation, accommodation, meals, hospitality and incidental expenses - and any other monetary benefits and non-monetary benefits.

BATCHEWANA FIRST NATION

Note to Schedule

Year ended March 31, 2018

1. Basis of Accounting:

The schedule of remuneration and expenses of Unelected Senior Officials of Batchewana First Nation has been prepared in accordance with the 2017-2018 Indigenous and Northern Affairs Canada Financial Reporting Requirements. The schedule is prepared to meet the 2017-2018 Indigenous and Northern Affairs Canada Financial Reporting Requirements. As a result, the schedule may not be suitable for another purpose.

Significant interpretations of the financial reporting provisions of the 2017-2018 Indigenous and Northern Affairs Canada Financial Reporting Requirements include:

- i. Remuneration and expenses are reported using the accrual basis of accounting.
- ii. Remuneration has been interpreted as it is defined in the First Nations Financial Transparency Act: "any salaries, wages, commissions, bonuses, fees, honoraria and dividends and any other monetary benefits – other than the reimbursement of expenses – and non-monetary benefits".
- iii. Expenses has been interpreted as it is defined in the First Nations Financial Transparency Act: "includes the costs of transportation, accommodation, meals, hospitality and incidental expenses"

Financial Information of

BATCHEWANA FIRST NATION

Revenues and Expenses –

Indigenous and Northern Affairs Canada

(Unaudited)

Year ended March 31, 2018

BATCHEWANA FIRST NATION

Indigenous and Northern Affairs Canada

Schedule of Revenues and Expenses

Year ended March 31, 2018

Program	Total	Total Grant Contribution Funding	Total Fixed Contribution Funding	Total Set Contribution Funding
Revenues:				
INAC Revenue:				
INAC revenue per agreement	\$ 10,105,664	451,839	5,483,403	4,170,422
INAC payable - current year	(616,464)	-	-	(616,464)
INAC payable - prior years	(299,440)	-	-	(299,440)
Deferred revenue, end of year	(121,692)	-	(121,692)	-
Other	1,592,498	-	1,105,892	486,606
	10,660,566	451,839	6,467,603	3,741,124
Expenses:				
Wages and benefits	3,095,011	238,949	2,339,428	516,634
Honorariums	306,496	306,396	100	-
Administration	(755,675)	(1,043,112)	206,843	80,594
Professional fees	272,184	257,543	14,641	-
Telephone and utilities	147,639	22,646	100,881	24,112
Insurance	23,710	9,655	14,055	-
Travel and training	231,154	9,330	177,855	43,969
Office and general	286,984	101,797	30,376	154,811
Sub-contractors	793,236	-	762,265	30,971
Repairs and maintenance	162,775	-	162,775	-
Materials and supplies	184,380	-	184,380	-
Program related expenditures	1,762,451	-	1,730,775	31,676
Tuition	4,211,456	-	1,152,694	3,058,762
Rent	3,240	-	3,240	-
Other	195,277	-	58,665	136,612
	10,920,318	(96,796)	6,938,973	4,078,141
Excess (deficiency) of revenue over expenses	\$ (259,752)	548,635	(471,370)	(337,017)

BATCHEWANA FIRST NATION

Indigenous and Northern Affairs Canada

Schedule of Revenues and Expenses - Grant Contribution

Year ended March 31, 2018

Program	Band Support Funding	Total Grant Contribution Funding
Revenues:		
INAC Revenue:		
INAC revenue per agreement	\$ 451,839	451,839
Expenses:		
Wages and benefits	238,949	238,949
Honorariums	306,396	306,396
Administration	(1,043,112)	(1,043,112)
Road maintenance		-
Professional fees	257,543	257,543
Telephone and utilities	22,646	22,646
Insurance	9,655	9,655
Travel and training	9,330	9,330
Office and general	101,797	101,797
	(96,796)	(96,796)
Excess of revenue over expenses	\$ 548,635	548,635

BATCHEWANA FIRST NATION

Indigenous and Northern Affairs Canada
Schedule of Revenues and Expenses - Fixed Contribution

Year ended March 31, 2018

Program	Economic Development - Opportunities	Land Management Allocation	Wastewater Systems	Water systems	Planning Design and Construction	Special Services	Fire Protection	Roads and Bridges	Electrical Systems	Community Buildings	Training - Fire Protection	Indian Registry Administration	Pension Plan Administration	CPP/QPP Pension	Leasing - Government Capital Development	Manage Cultural Education Program	Subtotal A
Revenues:																	
INAC Revenue:																	
INAC revenue per agreement	\$ 134,400	18,230	3,326	19,709	173,297	167,888	119,201	58,295	21,710	45,212	16,500	20,380	40,000	169,300	35,000	15,729	1,072,187
Deferred revenue, end of year	-	-	5,046	-	-	-	-	41,758	-	84,330	-	-	-	-	(27,322)	-	(27,322)
Other	134,400	18,230	8,372	19,709	173,297	167,888	119,201	110,053	21,710	133,542	16,500	20,380	40,000	169,300	7,678	15,729	1,175,999
Expenses:																	
Wages and benefits	-	12,670	-	2,300	465	-	3,500	67,732	-	103,519	-	52,240	40,000	169,300	-	-	451,726
Administration	-	1,823	-	-	12,930	3,000	730	-	-	-	-	2,210	-	-	-	1,573	22,266
Telephone and utilities	-	-	-	-	-	-	-	7,022	-	52,825	-	680	-	-	-	-	60,507
Insurance	-	-	-	-	-	-	-	2,126	-	7,348	-	-	-	-	-	-	9,474
Travel and training	-	-	-	-	-	-	-	935	-	-	-	-	-	-	6,451	-	7,386
Office and general	-	3,737	-	775	-	-	-	-	-	-	-	1,617	-	-	1,227	-	7,386
Sub-contractors	134,400	-	8,372	16,634	154,974	164,888	114,971	29,042	21,710	-	16,500	-	-	-	-	-	661,491
Materials and supplies	-	-	-	-	4,928	-	-	47,583	-	8,456	-	-	-	-	-	-	60,867
Program related	-	-	-	-	-	-	-	61,265	-	-	-	-	-	-	-	-	61,265
Rent	-	-	-	-	-	-	-	-	-	-	-	3,240	-	-	-	-	3,240
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14,156	14,156
	134,400	18,230	8,372	19,709	173,297	167,888	119,201	215,705	21,710	172,148	16,500	59,967	40,000	169,300	7,678	15,729	1,359,834
Deficiency of revenue over expenses	\$ -	-	-	-	-	-	-	(105,652)	-	(38,606)	-	(38,577)	-	-	-	-	(163,835)

BATCHEWANA FIRST NATION
Indigenous and Northern Affairs Canada
Schedule of Revenues and Expenses - Fixed Contribution - Continued

Year ended March 31, 2018

Program	Ancillary Support	Financial Assistance	Guidance and Counselling	Advises and Assistance Provided	Student Transport Services - Band Operated Direct Services	Post Secondary Student Support Program	Services Delivery	Education Management and Governance Capacity	School Effectiveness	Language and Culture	AB and ON Daycare	Emergency Shelters	Prevention Projects	First Nation & Inuit - Self Help Program	Economic Development and Allocation	Renovation and Additions	Post-Event Measures	Summer Work Experience	Subtotal B	Total - Fixed Contribution	
Revenue:																					
INAC Revenue:																					
INAC revenue per agreement	\$ 80,400	28,400	190,900	2,000	100,774	427,050	2,254,703	8,200	13,475	30,000	53,848	64,300	592,255	11,000	139,779	62,600	250,000	91,800	10,672	4,411,216	8,483,463
Deferred revenue, end of year	-	-	-	-	-	-	-	-	-	-	-	810,186	15,444	-	14,425	-	(37,500)	(56,870)	-	(94,370)	(121,632)
Other	80,400	28,400	190,900	2,000	100,774	427,050	2,254,703	6,200	13,475	30,000	148,974	874,468	607,699	11,000	154,704	62,600	212,500	34,930	38,477	974,788	1,103,852
Expense:																					
Wages and benefits	80,400	28,400	190,900	2,000	-	216,262	-	6,200	-	120,701	570,509	412,765	11,000	137,727	59,669	-	-	-	50,149	1,887,702	2,335,428
Honorariums	-	-	-	-	-	42,705	-	-	-	-	-	50	-	-	-	854	-	9,180	-	100	180
Administration	-	-	-	-	-	-	-	-	-	-	14,141	71,802	60,226	-	-	-	-	-	-	184,377	206,643
Professional fees	-	-	-	-	-	-	-	-	-	-	17,206	19,968	500	-	-	-	-	-	-	14,641	16,641
Telephone and utilities	-	-	-	-	-	-	-	-	-	-	2,843	1,738	-	-	-	-	3,200	-	-	46,374	100,681
Insurance	-	-	-	-	-	-	-	-	-	11,512	27,463	24,915	-	-	321	-	-	-	-	4,581	14,095
Travel and training	-	-	-	-	-	-	106,258	-	-	-	-	-	-	-	2,555	1,150	-	-	-	170,469	177,855
Office and general	-	-	-	-	-	-	-	-	-	-	15,420	3,895	-	-	-	-	-	-	-	23,020	30,376
Sub-contractors	-	-	-	-	100,774	-	-	-	-	-	53,213	109,562	-	-	-	-	-	-	-	180,774	30,376
Repairs and maintenance	-	-	-	-	-	-	-	-	-	-	32,559	67,008	-	-	596	-	-	-	-	162,775	762,285
Books and supplies	-	-	-	-	-	148,922	1,093,401	-	13,475	30,000	150,724	32,559	16,066	-	14,422	-	212,500	22,550	-	134,176	162,775
Materials and supplies	-	-	-	-	-	-	751,162	-	-	-	401,532	-	-	-	-	-	-	-	-	1,852,510	1,852,510
Program related	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,152,884	1,152,884
Tuition	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rent	-	-	-	-	-	-	-	-	-	-	15,824	21,585	7,100	-	-	-	-	-	-	3,240	56,655
Other	80,400	28,400	190,900	2,000	100,774	407,889	1,940,821	6,200	13,475	30,000	787,647	868,896	614,851	11,000	154,704	62,600	212,500	34,930	50,149	5,575,139	6,938,973
Excess (deficiency) of revenue over expenses																					
\$	-	-	-	-	-	19,161	313,942	-	-	-	(819,073)	5,587	(7,152)	-	-	-	-	-	-	(287,535)	(471,370)

BATCHEWANA FIRST NATION

Indigenous and Northern Affairs Canada

Schedule of Revenues and Expenses - Set Contribution

Year ended March 31, 2018

Program	Tuition Agreements	Funerals and Burials	In-home Care	Registry Events	Operations - Maintenance	Total Set Contribution Funding
Revenues:						
INAC Revenue:						
INAC revenue per agreement	\$ 4,076,500	7,925	47,500	668	37,829	4,170,422
INAC payable - current year	(616,464)	-	-	-	-	(616,464)
INAC payable - prior years	(299,440)	-	-	-	-	(299,440)
Other Revenue	-	-	479,736	1,824	5,046	486,606
	3,160,596	7,925	527,236	2,492	42,875	3,741,124
Expenses:						
Wages and benefits	193,350	-	320,984	-	2,300	516,634
Administration	39,053	-	41,541	-	-	80,594
Telephone and utilities	-	-	24,112	-	-	24,112
Travel and training	-	-	43,875	-	94	43,969
Office and general	58,087	-	96,724	-	-	154,811
Sub-contractors	-	-	-	-	30,971	30,971
Program related	21,259	7,925	-	2,492	-	31,676
Tuition	3,058,762	-	-	-	-	3,058,762
Other expense	-	-	-	-	136,612	136,612
	3,370,511	7,925	527,236	2,492	169,977	4,078,141
Deficiency of revenue over expenses	\$ (209,915)	-	-	-	(127,102)	(337,017)

Financial Information of

BATCHEWANA FIRST NATION

Revenues and Expenses - Health Canada
(Unaudited)

Year ended March 31, 2018

BATCHEWANA FIRST NATION

Health Canada

Statement of Revenues and Expenses

Year ended March 31, 2018

	Total Flexible Funding	Total Set Funding	Total Health Canada Funding
Revenues:			
Health Canada revenue:			
Health Canada revenue per agreement	\$ 950,318	339,862	1,290,180
Deferred revenue, end of year	(133,095)	-	(133,095)
Other	1,000	343,834	344,834
	818,223	683,696	1,501,919
Expenses:			
Administration	92,081	7,452	99,533
Insurance	18,769	2,973	21,742
Program Activities	89,069	10,000	99,069
Professional fees	27,883	-	27,883
Repairs and maintenance	5,889	-	5,889
Salaries and benefits	439,840	386,961	826,801
Office	100,875	188,842	289,717
Telephone	62,160	13,133	75,293
Travel	18,151	74,335	92,486
	854,717	683,696	1,538,413
Deficit	\$ (36,494)	-	(36,494)

BATCHEWANA FIRST NATION

Health Canada Flexible Funding
Statement of Revenues and Expenses - Flexible

Year ended March 31, 2018

Program	Canadian Prenatal Nutrition Program	Child and Youth Program Cluster	Brighter Futures	Building Healthy Communities	Solvent Abuse Program	National Native Alcohol and Drug Abuse Program	National Youth Suicide Prevention Strategy	CCDM - Public Health	Aboriginal Diabetes Initiative	HCD - Public Health	MW - Public Health	HL - Public Health	Health Planning and Management	Capital Facilities - Operations and Maintenance	JP - Allied Services	Total Flexible Funding
Revenues:																
Health Canada revenue per agreement	\$ 16,731	61,456	117,416	64,766	12,055	53,631	10,794	29,886	37,163	89,658	89,658	89,658	82,114	62,217	133,095	950,318
Deferred revenue, end of year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(133,095)	(133,095)
Other	16,731	61,456	117,416	64,766	12,055	53,631	10,794	29,886	37,163	89,658	89,658	89,658	82,114	62,217	1,000	1,000
Expenses:																
Administration	1,510	6,060	11,068	7,903	1,170	5,207	1,079	-	3,889	9,708	8,528	9,925	10,197	17,697	-	92,081
Insurance	-	-	-	-	-	-	-	-	-	2,476	-	-	-	16,293	-	16,293
Program Activities	-	-	85,136	-	-	-	-	2,887	-	-	-	1,046	-	-	-	40,089
Professional fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Repairs and maintenance	10,316	37,893	1,443	50,245	1,081	4,808	-	-	-	-	5,315	-	22,568	-	-	5,889
Salaries and benefits	4,185	14,568	10,000	2,238	8,331	37,061	-	21,550	9,212	60,789	61,552	67,448	46,522	27,890	-	439,840
Office and utilities	685	2,515	5,369	4,400	125	557	9,715	4,206	22,254	8,502	11,928	8	21	25,098	-	100,875
Telephone and utilities	-	-	-	-	808	3,592	-	-	1,998	4,502	4,289	7,024	2,851	25,098	-	46,150
Travel	-	-	-	-	800	2,406	-	1,243	-	4,181	46	4,209	157	-	-	96,150
	16,731	61,456	117,416	64,766	12,055	53,631	10,794	29,886	37,163	89,658	89,658	89,658	82,114	99,711	-	854,717
Deficit	-	-	-	-	-	-	-	-	-	-	-	-	-	(36,494)	-	(36,494)

BATCHEWANA FIRST NATION

Health Canada Set Funding Statement of Revenues and Expenses - Set

Year ended March 31, 2018

Program	Communicable Disease Emergencies - Planning and Response	Home and Community Care - Service Delivery	Medical Transportation - Client Insured Services	Medical Transportation - Administration	Drinking Water and Waste Water	Home and Community - Professional Development	Total Set Funding
Revenues:							
Health Canada revenue:							
Health Canada revenue per agreement	\$ 2,000	182,577	119,507	24,953	10,000	825	339,862
Other	-	343,834	-	-	-	-	343,834
	2,000	526,411	119,507	24,953	10,000	825	683,696
Expenses:							
Administration	-	-	7,452	-	-	-	7,452
Insurance	2,000	-	973	-	-	-	2,973
Program Activities	-	-	-	-	10,000	-	10,000
Salaries and benefits	-	320,984	45,295	20,682	-	-	386,961
Telephone	-	3,878	7,479	1,776	-	-	13,133
Office	-	158,499	27,848	2,495	-	-	188,842
Travel	-	43,050	30,460	-	-	825	74,335
	2,000	526,411	119,507	24,953	10,000	825	683,696
Surplus	\$ -	-	-	-	-	-	-

Consolidated Financial Statements of

BATCHEWANA FIRST NATION

Year ended March 31, 2018

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Batchewana First Nation are the responsibility of management and have been approved by the Chief and Council.

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 judgments. 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.

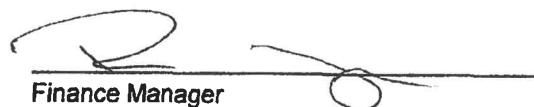
Batchewana maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and Batchewana's assets are appropriately accounted for and adequately safeguarded.

Batchewana is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements.

The Chief and Council reviewed Batchewana's consolidated financial statements and recommend their approval. The Chief and Council meet periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the consolidated financial statements and the external auditors' report. The Chief and Council takes this information into consideration when approving the consolidated financial statements for issuance to the Members. The 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 members. KPMG LLP has full access to the Council.


Chief


Finance Manager



KPMG LLP
111 Elgin Street, Suite 200
Sault Ste. Marie ON P6A 6L6
Canada
Telephone (705) 949-5811
Fax (705) 949-0911

INDEPENDENT AUDITORS' REPORT

To the Council and Members of Batchewana First Nation

We have audited the accompanying consolidated financial statements of Batchewana First Nation which comprise the consolidated statement of financial position as at March 31, 2018, the consolidated statements of financial activities, changes in net financial debt and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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



Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of Batchewana First Nation as at March 31, 2018 and its consolidated results of operations, consolidated changes in net financial debt and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Sault Ste. Marie, Canada

July 18, 2018

BATCHEWANA FIRST NATION

Index to Consolidated Financial Statements

Year ended March 31, 2018

Financial Statements

Exhibit A	Consolidated Statement of Financial Position	1
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BATCHEWANA FIRST NATION

Exhibit A - Consolidated Statement of Financial Position

March 31, 2018, with comparative information for 2017

	2018	2017
Financial assets		
Cash (note 2)	\$ 5,306,217	\$ 2,471,838
Restricted cash (note 3)	2,841,554	2,015,509
Accounts receivable (note 4)	3,164,843	5,596,941
Investment in Batchewana Band Industries Limited (note 5)	1,447,195	1,446,846
Investment in Mukwaa 2 Inc. (note 6)	742,327	410,399
Investment in Nodin Kitagan Limited Partnerships (note 7)	12,294,594	10,373,601
Investment in Chi-Wiikwedong LP (note 8)	10,536,210	10,749,633
Investment in GBG-BFN Limited Partnership (note 9)	404,921	453,420
Investment and advances in Zaagate Giizis Energy Inc. (note 10)	1,403,215	462,337
Trust funds held by federal government	440,922	423,698
	<u>38,581,998</u>	<u>34,404,222</u>
Financial liabilities		
Operating line of credit (note 2)	1,408,904	2,046,298
Accounts payable	2,684,099	2,114,953
Deferred revenue (note 11)	265,658	-
Term demand loans (note 12)	8,906,296	10,165,007
Long-term debt (note 14)	37,722,798	39,023,015
	<u>50,987,755</u>	<u>53,349,273</u>
Net debt	(12,405,757)	(18,945,051)
Non-financial assets		
Tangible capital assets (note 13)	28,517,104	26,532,493
Prepaid expenses and inventory of supplies	149,078	159,112
	<u>28,666,182</u>	<u>26,691,605</u>
Contingent liabilities (note 16)		
Accumulated surplus (note 15)	\$ 16,260,425	\$ 7,746,554

See accompanying notes to consolidated financial statements.

Approved:


Chief


Finance Manager

BATCHEWANA FIRST NATION

Exhibit B - Consolidated Statement of Operations

Year ended March 31, 2018, with comparative information for 2017

	Budget (note 18)	2018	2017
Revenue:			
Indigenous and Northern Affairs Canada (note 17)	\$ 8,872,727	\$ 9,394,830	\$ 9,490,305
Province of Ontario	1,888,944	1,928,061	1,410,367
Government of Canada	3,761,140	2,241,386	1,856,315
Ontario First Nations Limited Partnership	1,352,000	1,365,259	1,345,342
North Shore Tribal Council	1,626,432	1,443,248	1,627,314
Band operated enterprises	7,601,931	9,248,013	8,791,112
Other	9,641,580	16,883,940	5,704,845
Government of Canada Trust Funds	-	17,224	17,344
	34,744,754	42,521,961	30,242,944
Expenses:			
Niigaanin	1,526,725	1,328,809	1,497,562
Government	17,998	112,504	111,772
Lands, Memberships and Estates	67,582	62,459	35,188
Elections	-	-	18,500
Licensing	6,000	6,000	7,319
Community Services	778,019	1,029,169	1,061,824
Education	7,362,486	7,038,460	6,522,945
Child Day Care	990,335	868,500	833,451
Cultural Education Centre	1,573	1,573	1,573
Capital Projects	2,696,485	569,465	300,289
Other Subsidized Programs	1,851,773	1,497,557	1,452,119
Health	2,718,119	2,715,049	2,149,393
Employment and Training	503,953	494,517	505,083
Arena Operations	1,299,384	1,489,920	1,167,383
Band Operated Activities - Buildings	428,579	531,296	563,264
Band Operated Activities - CMHC	244,771	868,952	837,968
Bingo Operations	8,007,100	8,890,087	8,638,291
Other Band Activities	667,838	617,128	708,729
Renewable Energy Development	112,000	1,326,949	808,593
Other Band Activities - Natural Resources	688,919	848,045	479,262
Band Committees	30,500	43,972	29,711
Other Band Operated Enterprises	668,000	758,581	216,412
Rankin Reserve Community Services Incorporated	-	355,799	363,213
Batchewana Band Industries Ltd.	-	(349)	(7,262)
Renewable Energy Partnerships	-	2,553,648	2,890,042
	30,668,139	34,008,090	31,192,624
Excess of revenue over expenses	4,076,615	8,513,871	(949,680)
Accumulated surplus, beginning of year	7,746,554	7,746,554	8,696,234
Accumulated surplus, end of year	\$ 11,823,169	\$ 16,260,425	\$ 7,746,554

See accompanying notes to consolidated financial statements.

BATCHEWANA FIRST NATION

Exhibit C - Consolidated Statement of Changes in Net Debt

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Excess of revenue over expenses	\$ 8,513,871	\$ (949,680)
Acquisition of tangible capital assets	(3,281,288)	(1,961,182)
Amortization of tangible capital assets	1,296,677	1,212,848
Change in prepaid expenses and inventory of supplies	10,034	(37,364)
Change in net financial debt	6,539,294	(1,735,378)
Net debt, beginning of year	(18,945,051)	(17,209,673)
Net debt, end of year	\$ (12,405,757)	\$ (18,945,051)

See accompanying notes to consolidated financial statements.

BATCHEWANA FIRST NATION

Exhibit D - Consolidated Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Operating transactions:		
Excess of revenue over expenses	\$ 8,513,871	\$ (949,680)
Adjustment for:		
Amortization of tangible capital assets	1,296,677	1,212,848
Share of operating loss (profit) from investment in Batchewana Band Industries Limited	(349)	(7,262)
Share of operating loss from investment in Mukwaa 2 Inc.	(22,855)	17,619
Share of operating loss (profit) from Nodin Kitagan Limited Partnerships	(7,169,566)	(640,999)
Share of operating loss (profit) from Chi-Wiikwedong LP	(984,817)	(1,004,740)
Share of operating loss (profit) from investment in GBG-BFN Limited Partnership	(23,129)	(19,727)
Share of operating loss (profit) from Zaagate Giizis Energy Inc.	(5,037)	1,389
	1,604,795	(1,390,552)
Changes in non-cash working capital:		
Decrease (increase) in accounts receivable	2,432,098	(4,277,871)
Decrease in band member loans	-	1,947
Decrease (increase) in prepaid expenses and inventory of supplies	10,034	(37,364)
Increase in accounts payable and accrued liabilities	569,146	115,368
Increase (decrease) in deferred revenue	265,658	(69,537)
Decrease in demand loans	(1,258,711)	(737,558)
	3,623,020	(6,395,567)
Capital transactions:		
Cash used to acquire tangible capital assets	(3,281,288)	(1,961,182)
Financing transactions:		
Increase (decrease) in operating line of credit	(637,394)	1,398,533
Long-term debt advanced during year	1,378,953	904,213
Principal payments on long-term debt	(2,679,170)	(6,207,491)
	(1,937,611)	(3,904,745)
Investing transactions:		
Distributions from Chi-Wiikwedong LP	1,198,240	1,265,000
Distributions from Nodin Kitagan Limited Partnerships	5,248,573	11,347,073
Distributions from (investments in) GBG-BFN Limited Partnership	71,628	55,335
Investment and advances in Zaagate Giizis Energy Inc.	(935,841)	(463,726)
Investment and advances in Mukwaa 2 Inc.	(309,073)	-
Increase in trust funds held by federal government	(17,224)	(17,344)
	5,256,303	12,186,338
Net increase (decrease) in cash	3,660,424	(75,156)
Cash, beginning of year	4,487,347	4,562,503
Cash, end of year	\$ 8,147,771	\$ 4,487,347
Represented by:		
Cash	\$ 5,306,217	\$ 2,471,838
Restricted cash	2,841,554	2,015,509
	\$ 8,147,771	\$ 4,487,347

See accompanying notes to consolidated financial statements.

BATCHEWANA FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2018

The Batchewana First Nation (the "First Nation"), located in Sault Ste. Marie Ontario, administers programs and provides services to First Nation members.

1. Significant accounting policies:

These consolidated financial statements of the First Nation are the representations 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) Basis of consolidation:

These consolidated financial statements reflect the assets, liabilities, revenues and expenses of all programs under the control of Chief and Council.

All controlled entities are fully consolidated on a line-by-line basis except for commercial enterprises which meet the definition of a government business enterprise, which are included in the consolidated financial statements on a modified equity basis. Inter-organizational balances and transaction are eliminated upon consolidation.

Under the modified equity method of accounting, only Batchewana First Nation's portion of the enterprise that are different from those of the First Nation, and inter-organizational balances and transactions are eliminated.

Organizations consolidated include:

Rankin Reserve Community Services Incorporated
Mukwaa Inc. - a bare trustee corporation
2419656 Ontario Inc. - a bare trustee corporation

Organizations accounted for on a modified equity basis include:

Batchewana Band Industries Limited
Mukwaa 2 Inc.
6597982 Manitoba Ltd. - a bare trustee corporation
2425771 Ontario Inc.
Zaagate Giizis Energy Inc.

Batchewana First Nation has invested in limited partnerships through Mukwaa Inc. and 2419656 Ontario Inc. The First Nation accounts for its investment in these business partnerships using the modified equity method.

(b) Inventories:

Inventories are stated at lower of cost and net realizable value. Cost is generally determined on the first-in, first-out basis.

(c) Cash and cash equivalents:

Cash and cash equivalents include short-term investments with a term to maturity of 90 days or less at acquisition.

BATCHEWANA FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2018

1. Significant accounting policies (continued):

(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.

(i) 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:

Assets	Useful Life - Years
Land improvements	20 years
Buildings	40 years
Infrastructure	30 years
Machinery and equipment	10 years
Furniture, computers and fixtures	4 to 10 years

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.

(ii) Natural resources:

Natural resources that have not been purchased are not recognized as assets in the consolidated financial statements.

(iii) Works of art and cultural and historic assets:

Works of art and cultural and historic assets are not recorded as assets in these consolidated financial statements.

(e) 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.

BATCHEWANA FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2018

1. Significant accounting policies (continued):

(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 revenue and expenses during the reporting period. Significant items subject to such estimates and assumptions include the carrying amount of tangible capital assets and valuation 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.

In addition, the First Nation's implementation of the Public Sector Accounting Handbook PS3150 has required management to make estimates of historical cost and useful lives of tangible capital assets.

Actual results could differ from these estimates.

(g) Revenue recognition:

Revenue is recognized in the period in which the transactions or events occurred that gave rise to the revenue. All revenue is recorded on an accrual basis.

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Contributions, other than government transfers, are deferred when restrictions are placed on their use by the external contributor, and are recognized as revenue when used for the specific purpose.

Revenue related to fees or services received in advance of the fee being earned or the service is performed is deferred and recognized when the fee is earned or service performed.

(h) 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.

(i) Consolidated revenue funds:

Funds held in trust are comprised of funds held in Ottawa Trust accounts and 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.

BATCHEWANA FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2018

2. Cash and lines of credit:

Cash

Cash consists of cash on hand, bank balances and investments in money market instruments with maturities of one year or less.

Lines of credit

- (a) The First Nation has an operating line of credit of \$1,500,000 with Scotiabank. At March 31, 2018, there is an outstanding balance of \$1,345,000 (2017 - \$935,000). The line of credit is due on demand and has an interest rate of prime plus 1.00%. The loan is secured by a guarantee from 2419656 Ontario Inc.

The balance has been used to finance First Nation's investment in Zaagate Giizis Energy Inc.

- (b) The First Nation has an overdraft line of credit of \$50,000 with CIBC. At March 31, 2018, there is an outstanding balance of \$12,664 (2017 - \$13,053). The line of credit is due on demand and has an interest rate of prime plus 1.5%
- (c) The First Nation has an overdraft line of credit of \$1,200,000 with the Bank of Montreal for the Renewable Energy Department. At March 31, 2018, there is an outstanding balance of \$63,904 (2017 - \$1,111,298). The line of credit is due on demand and has an interest rate of prime plus 1%.
- (d) In accordance with the terms and conditions of the BMO Loan Agreement (see note 3) 2419656 Ontario Inc. (a bare trustee corporation) has established a revolving \$1,015,000 debt service reserve loan (the "DSR Loan") arrangement bearing interest at the prime rate. At March 31, 2018 there is an outstanding balance of \$3,464 (2017 - \$Nil). The DSR Loan has been established to make principal, interest and fee payments to the extent there are insufficient funds in the Proceeds Account (see note 3(b)).

3. Restricted cash:

- a) As a condition of the Siemens Financial Ltd. Tranche A and B facilities, Mukwaa Inc. (a bare trustee corporation) is required to maintain a debt service reserve account equal to six months principal and interest of the outstanding loan balance (see note 14).
- b) Pursuant to a Bank of Montreal loan agreement (the "BMO Loan Agreement") (see note 14), between the Bank of Montreal ("BMO") and 2419656 Ontario Inc. and Batchewana First Nation ("the Project Parties") distributions to the Project Parties from the Chi-Wiikwedong LP ("CWLP") are permitted via a Proceeds Account which are subject to the following conditions:
- (i) debt service ratio for 2419656 Ontario Inc. for the previous 12 consecutive months is not less than 1:05 to 1:00 and the projected debt service ratio on a rolling 12 month basis shall not be less than 1:05 to 1:00;

BATCHEWANA FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2018

3. Restricted cash (continued):

- (ii) all amounts including accrued interest and principal and all other amounts due in respect of the BMO Loan Agreement have been paid in full;
- (iii) no balance is outstanding on the DSR Loan (see note 2(d));
- (iv) no event of default has occurred or would reasonably be expected to occur;
- (v) No breach of the Province Guarantee has occurred.

Distributions must be applied in the following order of priority.

- (i) first, to pay taxes of the Project Parties to the extent such amounts are due and payable;
- (ii) second, to pay scheduled BMO loan interest due and payable. If sufficient funds are not available then to draw upon the DSR Loan to extent of any shortfall;
- (iii) third, to pay scheduled BMO loan principal due and payable. If sufficient funds are not available then to draw upon the DSR Loan to extent of any shortfall;
- (iv) fourth, to pay BMO an amount equal to the annual renewal fee, quarterly standby and processing fee and any account transaction fees;
- (v) fifth, to pay the Province guarantee and indemnification fees;
- (vi) sixth, to pay any interest due and payable on the DSR loan;
- (vii) seventh; to repay any balance outstanding on the DSR loan;
- (viii) eighth, only to the extent the account balance will be at least \$2,500.

If sufficient funds are not available to pay BMO principal, interest and related fees or the Province guarantee and indemnification fees then the DSR loan may be drawn upon to the extent of any shortfall.

Notwithstanding the above, BMO may block payments and retain such funds and apply such funds towards the reduction of the obligations, at any time after the occurrence of any event of default until such notice of default is revoked.

- c) In accordance with the operating agreements between the First Nation and Canada Mortgage Housing Corporation ("CMHC"), cash in the amount of \$122,069 (2017 - \$112,827) is restricted for this purpose. Under the agreement, the First Nation is required to set aside funding to maintain a replacements reserve bank account. As of fiscal year end, this First Nation is required to have set aside \$637,749 (2017 - \$534,352).

BATCHEWANA FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2018

4. Accounts receivable:

	2018	2017
Indigenous and Northern Affairs Canada	\$ 247,159	\$ 430,607
Province of Ontario	447,036	46,185
Government of Canada	-	100,481
North Shore Tribal Council	173,045	176,449
Aboriginal Labour Force Development Corporation	78,391	78,511
Due from members	24,496	6,909
Other First Nations (Education Boarding Homes)	207,129	194,437
Other	773,379	429,316
Investment distributions (i)	1,610,000	4,235,000
	3,560,635	5,697,895
Less: allowance for doubtful accounts	(395,792)	(100,954)
	\$ 3,164,843	\$ 5,596,941

- i. Included first quarter cash distributions from the investment in Nodin Kitagan Limited Partnership of \$1,610,000 (2017 - \$4,235,000). These amounts have been collected subsequent to March 31, 2018.

BATCHEWANA FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2018

5. Investment – Batchewana Band Industries Limited (BBI):

Batchewana Band Industries Limited operates an industrial park on lands owned by the First Nation. Its major assets include income producing properties and investments.

	December 31, 2017	December 31, 2016
Retained earnings	\$ 1,431,595	\$ 1,431,246
Contributed surplus	15,600	15,600
	<u>\$ 1,447,195</u>	<u>\$ 1,446,846</u>

Financial information for BBI for its non-coterminous fiscal periods reflected herein is as follows:

	December 31, 2017	December 31, 2016
Assets	\$ 2,358,834	\$ 2,424,233
Liabilities	922,536	988,284
Revenues	349,246	330,687
Net earnings for the year	349	7,262

Commitments:

BBI has entered into a lease agreement on certain lands known as Blue Heron Industrial Park with the First Nation and the Crown commencing May 1, 1972 and ending April 30, 2012. The agreement was originally extended to cover the periods May 1, 2012 to October 31, 2012 and most recently has been extended to April 30, 2019. Semi-annual rent is payable on October 1 and is to be a percentage as may be determined by Her Majesty for each five year period of the gross receipts of the lease. Such percentage will not be lower than 10% or more than 20% of gross receipts. Annual rent, which is currently calculated at 10%, is deposited by the Crown into the Fund Held in Trust Account on behalf of the First Nation.

BATCHEWANA FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2018

6. Investment – Mukwaa 2 Inc.:

Mukwaa 2 Inc. is a wholly owned corporation of Batachewana First Nation. The corporation provides employment services to external parties utilizing local resources.

	2018	2017
Share capital	\$ 255,000	\$ 255,000
Retained earnings and advances	487,327	155,399
	<u>\$ 742,327</u>	<u>\$ 410,399</u>

Financial position

Total assets	\$ 745,160	\$ 1,415,169
Total liabilities	490,162	1,004,870
Revenue	22,855	4,230
Net earnings (loss) for the year	22,855	(17,619)

BATCHEWANA FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2018

7. Investment – Nodin Kitagan Limited Partnerships:

The First Nation has invested through Mukwaa Inc., a bare trustee corporation, into Nodin Kitagan Limited Partnership ("NKLP") and Nodin Kitagan 2 Limited Partnership ("NK2LP") for the purposes of designing, developing, constructing, financing and operating a 60 megawatt wind-powered electricity generating facility known as the Bow Lake Wind Farm. Mukwaa Inc.'s share is 50% of both NKLP and NK2LP. In addition, Mukwaa Inc. has a .001% equity investment in the related general partners Shongwish Nodin Kitagan GP Corp. ("SNKGP") and Shongwish Nodin Kitagan 2 GP Corp. ("SNK2GP").

	2018	2017
Nodin Kitagan Limited Partnerships	\$ 12,294,592	\$ 10,373,599
Shongwish Nodin Kitagan General Partners	2	2
	\$ 12,294,594	\$ 10,373,601

Investments in Limited Partnerships

The investments at March 31, 2018 consist of the following:

	NKLP	NK2LP	2018	2017
Balance, beginning of year	\$ 3,540,634	\$ 6,832,965	\$ 10,373,599	\$ 21,079,673
Partner distributions	(970,000)	(3,750,000)	(4,720,000)	(11,347,073)
First Nation's share of earnings	1,801,498	4,839,495	6,640,993	640,999
Balance, end of year	\$ 4,372,132	\$ 7,922,460	\$ 12,294,592	\$ 10,373,599

Financial information for NKLP and NK2LP for their non-coterminous December 31 fiscal periods reflected herein is as follows:

	NKLP	NK2LP	2018	2017
Financial position				
Current assets	\$ 3,513,000	\$ 6,958,000	\$ 10,471,000	\$ 13,899,000
Non-current assets	83,216,000	141,301,000	224,517,000	231,599,000
Total assets	\$ 86,729,000	\$ 148,259,000	\$ 234,988,000	\$ 245,498,000
Current liabilities	\$ 4,747,000	8,404,000	13,151,000	12,808,000
Non-current liabilities	72,087,000	120,001,000	192,088,000	202,416,000
Total liabilities	\$ 76,834,000	\$ 128,405,000	\$ 205,239,000	\$ 215,224,000

BATCHEWANA FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2018

7. Investment – Nodin Kitagan Limited Partnerships (continued):

	NKLP	NK2LP	2018	2017
Partner's equity	\$ 9,895,000	\$ 19,854,000	\$ 29,749,000	\$ 27,816,000
Results of operations				
Revenue	\$ 9,568,000	\$ 19,895,000	\$ 29,463,000	\$ 25,743,000
Operating expenses	(1,673,000)	(2,993,000)	(4,666,000)	(4,631,000)
Other expenses	(7,214,000)	(12,243,000)	(19,457,000)	(20,910,000)
Net income	681,000	4,659,000	4,659,000	202,000
Items of other comprehensive income	2,922,000	5,020,000	7,942,000	1,080,000
Comprehensive income	\$ 3,603,000	\$ 9,679,000	\$ 13,282,000	\$ 1,282,000

Investments in General Partnership

The investments at March 31, 2018 consists of the following:

	SNKGP	SNK2GP	2018	2017
Number of common shares Class A	\$ 1	\$ 1	\$ 2	\$ 2
Cost of investment	\$ 1	\$ 1	\$ 2	\$ 2

BATCHEWANA FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2018

8. Investment – Chi-Wiikwedong LP:

The First Nation has invested through 2419656 Ontario Inc., a bare trustee corporation ("Trustco"), a 49% equity share of Chi-Wiikwedong LP ("CWLP"). In addition, Trustco has a .001% equity interest in Chi-Wiikwedong GP Inc. ("CWGP") the related general partner. CWLP operates a 25 megawatt wind-powered electricity generating facility known as the Goulais Wind Farm which has entered into 20 year power purchase Feed-In Tariff (FIT) agreement with the IESO expiring in 2034.

Under terms of the partnership and related agreements Trustco is entitled to 49% of annual distributions based on targets which have been pre-established by the partners for the duration of the FIT of the agreement. During the year Trustco received distributions in the amount of \$1,273,000 (2017 - \$1,265,000) of which included income in the amount of \$962,078 (2017 - \$984,817)

The investment in CWLP has been revised to correct the accounting for the First Nations share of income and distributions received. The impact of this correction has been recorded retroactively and cumulative effect to March 31, 2017 has been recorded as increase in the investment of CWLP of \$2,223,482, decrease in accounts receivable of \$979,755, an increase in other revenue of \$540,230 and increase in the accumulated surplus of \$1,253,727.

9. Investment – GBG-BFN Limited Partnership:

The First Nation has invested through 6597982 Manitoba Ltd., a bare trustee corporation, has a 50.999% equity share of GBG-BFN Limited Partnership. for the purpose of designing, developing, constructing, financing, owning, maintaining and operating solar electricity generating projects in Ontario, including the Solar Projects, to be developed for commercial operation under the FIT Program and all related or ancillary activities. The Partnership is currently invested in a rooftop Solar Project in Markham, Ontario.

	2018	2017
GBG-BFN Limited Partnership	\$ 404,921	\$ 453,420

GBG-BFN Limited Partnership

The investment at March 31, 2018 consists of the following:

	2018	2017
Balance, beginning of year	\$ 453,420	\$ 489,028
Partner distributions	(71,628)	(55,335)
First Nation's share of earnings	23,129	19,727
Balance, end of year	\$ 404,921	\$ 453,420

BATCHEWANA FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2018

9. Investment – GBG-BFN Limited Partnership (continued)

Financial information for GBG-BFN Limited Partnership is for its March 31 fiscal year reflected herein is as follows:

	2018	2017
Financial position		
Total assets	\$ 792,320	\$ 889,018
Total liabilities	-	-
Partner's equity	\$ 792,320	\$ 889,018
Results of operations		
Revenue	\$ 108,013	\$ 113,890
Expenses	(62,664)	(75,210)
Net income	\$ 45,349	\$ 38,680

10. Investment and advances – Zaagate Giizis Energy Inc.

The investment in Zaagate Giizis Energy Inc. ("ZGEI") is comprised of a 51% equity interest. ZGEI constructed, operates and manages on reserve rooftop and ground mount solar electrical generating projects.

	2018	2017
Zaagate Giizis Energy Inc. (51 common shares)	\$ 51	\$ 51
Advances to Zaagate Giizis Energy Inc.	1,399,516	463,675
Share of ZGEI's retained earnings	3,648	(1,389)
	\$ 1,403,215	\$ 462,337

Financial information for Zaagate is for its March 31 fiscal year reflected herein is as follows:

	2018	2017
Financial position		
Total assets	\$ 2,793,646	\$ 373,002
Total liabilities	2,786,394	375,626
Revenue	286,656	1,574
Net earnings (loss) for the year	9,876	(2,724)

BATCHEWANA FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2018

11. Deferred revenue:

Deferred revenue is broken down by program as follows:

	2018	2017
Indigenous and Northern Affairs Canada:	\$ 94,370	\$ -
Health Canada	133,095	-
Other	38,193	-
	\$ 265,658	\$ -

12. Term demand loans:

	Operating	Investing	2018	2017
Loan 1 – Bank of Montreal, non-revolving term demand loan, related to the First Nation's equity investment in Mukwaa Inc., repayable at \$61,454 monthly including interest at prime plus 1%, renewable December 2018	\$ 246,366	6,152,787	6,399,153	6,861,991
Loan 2 – Bank of Montreal, non-revolving term demand loan, related to the First Nation's equity investment in 2419656 Ontario Inc., used to repay amounts owing to Capstone Power Corp., repayable \$52,232 quarterly plus interest at prime plus 1%, renewable December 2018	-	2,507,143	2,507,143	2,716,072
Loan 3 – Bank of Montreal, non-revolving term demand loan, related to the construction of the Convention Centre, repayable \$7,246 monthly plus interest at prime plus 2%, due August 2022	-	-	-	586,944
	\$ 246,366	8,659,930	8,906,296	10,165,007

These loans are secured by a first ranking security interest over all Ontario First Nation Limited Partnership distributions.

Payments assuming annual renewals with similar amortization periods are as follows:

	Operating	Investing	Total
2019	\$ 20,150	723,753	743,903
2020	20,861	749,754	770,615
2021	21,598	776,691	798,289
2022	22,360	804,596	826,956
2023	23,150	833,505	856,655
Thereafter	138,247	4,771,631	4,909,878
	\$ 246,366	8,659,930	8,906,296

BATCHEWANA FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2018

13. Tangible capital assets:

Cost	Balance at March 31, 2017	Additions	Disposals	Balance at March 31, 2018
Land	\$ 35,001	348,000	-	383,001
Land improvements	372,235	-	-	372,235
Buildings	17,888,373	458,171	-	18,346,544
Housing	11,860,555	1,105,369	-	12,965,924
Infrastructure	9,091,509	185,319	-	9,276,828
Machinery and equipment	635,754	216,059	-	851,813
Vehicles	287,450	50,025	-	337,475
Furniture and equipment	646,425	49,449	-	695,874
Construction in progress	960,730	1,803,614	(934,718)	1,829,626
Total	\$ 41,778,032	4,216,006	(934,718)	45,059,320

Accumulated Amortization	Balance at March 31, 2017	Disposals	Amortization	Balance at March 31, 2018
Land	\$ -	-	-	-
Land improvements	120,423	-	18,612	139,035
Buildings	5,831,461	-	458,664	6,290,125
Housing	3,389,189	-	419,292	3,808,481
Infrastructure	4,768,954	-	261,187	5,030,141
Machinery and equipment	385,802	-	61,495	447,297
Vehicles	165,231	-	28,739	193,970
Furniture and equipment	584,479	-	48,688	633,167
Construction in progress	-	-	-	-
Total	\$ 15,245,539	-	1,296,677	16,542,216

	Net book value, March 31, 2017	Net book value, March 31, 2018
Land	\$ 35,001	383,001
Land improvements	251,812	233,200
Buildings	12,056,912	12,056,419
Housing	8,471,366	9,157,443
Infrastructure	4,322,555	4,246,687
Machinery and equipment	249,952	404,516
Vehicles	122,219	143,505
Furniture and equipment	61,946	62,707
Construction in progress	960,730	1,829,626
Total	\$ 26,532,493	28,517,104

BATCHEWANA FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2018

13. Tangible capital assets (continued):

Cost	Balance at March 31, 2016	Additions	Disposals	Balance at March 31, 2017
Land	\$ 35,001	-	-	35,001
Land improvements	372,235	-	-	372,235
Buildings	17,444,022	444,351	-	17,888,373
Housing	11,831,190	29,365	-	11,860,555
Infrastructure	8,827,910	263,599	-	9,091,509
Machinery and equipment	444,041	191,713	-	635,754
Vehicles	216,026	71,424	-	287,450
Furniture and equipment	646,425	-	-	646,425
Construction in progress	-	960,730	-	960,730
Total	\$ 39,816,850	1,961,182	-	41,778,032

Accumulated Amortization	Balance at March 31, 2016	Disposals	Amortization	Balance at March 31, 2017
Land	\$ -	-	-	-
Land improvements	101,811	-	18,612	120,423
Buildings	5,384,252	-	447,209	5,831,461
Housing	3,006,743	-	382,446	3,389,189
Infrastructure	4,513,945	-	255,009	4,768,954
Machinery and equipment	345,912	-	39,890	385,802
Vehicles	141,495	-	23,736	165,231
Furniture and equipment	538,533	-	45,946	584,479
Construction in progress	-	-	-	-
Total	\$ 14,032,691	-	1,212,848	15,245,539

	Net book value, March 31, 2016	Net book value, March 31, 2017
Land	\$ 35,001	35,001
Land improvements	270,424	251,812
Buildings	12,059,770	12,056,912
Housing	8,824,447	8,471,366
Infrastructure	4,313,965	4,322,555
Machinery and equipment	98,129	249,952
Vehicles	74,531	122,219
Furniture and equipment	107,892	61,946
Construction in progress	-	960,730
Total	\$ 25,784,159	26,532,493

BATCHEWANA FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2018

14. Long-term debt:

CMHC Project	Renewal Date	Monthly Payment	Interest Rate	2018	2017
10-449-270	April 1, 2017	\$ 458	3.14%	\$ -	\$ 431
Senior's complex	April 1, 2022	3,760	1.43%	573,006	609,790
16-135-543-002	March 1, 2019	4,039	2.04%	471,815	510,358
16-135-543-003	Sept. 1, 2020	3,335	0.94%	466,319	501,818
16-135-543-004	Sept. 1, 2020	5,241	0.94%	732,759	788,542
16-135-543-005	April 1, 2019	4,881	1.92%	585,517	632,496
16-135-543-006	May 1, 2022	9,222	1.35%	1,428,212	1,519,161
16-135-543-007	May 1, 2022	5,475	1.35%	847,903	901,899
16-135-543-008	May 1, 2018	3,117	1.52%	507,074	536,598
16-135-543-009	Sept. 1, 2018	6,735	2.35%	1,051,556	1,107,228
16-135-543-010	Dec. 1, 2019	1,271	1.83%	161,419	173,628
16-135-543-011	May 1, 2021	3,997	1.21%	782,955	821,271
16-135-543-012	Oct. 1, 2022	5,084	2.13%	1,108,927	904,212
CHMC advances				1,149,244	-
CMHC subtotal				9,866,706	9,007,432
All CMHC loans and advances are secured by Ministerial guarantees.					
Royal Bank, term loan, repayable \$11,755 monthly including interest at 3.75%, maturing November 2018				938,348	1,041,890
Royal Bank, term loan, repayable \$15,858 monthly including interest at 3.96%, maturing November 2021				1,394,423	1,526,806
Operating loans subtotal				2,332,771	2,568,696
Bank of Montreal, term loan, repayable at \$237,912 quarterly including interest at 3.95% maturing February 2031 (b)				8,443,187	9,062,539
Siemens Financial Ltd, Tranche A, term loan, bears interest at 8.5%, and is repayable quarterly at specified amounts maturing January 2022				17,080,134	17,550,500
Siemens Financial Ltd, Tranche B, term loan, bears interest at 10%, requires interest only payments until the commencement of commercial operation at which time a long-term repayment schedule will be established as noted below (a)				-	833,848
Investing loans subtotal				25,523,321	27,446,887
				\$ 37,722,798	\$ 39,023,015

BATCHEWANA FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2018

14. Long-term debt (continued):

Payments assuming annual renewals with similar amortization periods are as follows:

	Operating	Investing	Total
2019	\$ 783,582	775,127	1,558,709
2020	801,588	1,287,448	2,089,036
2021	820,112	1,373,951	2,194,063
2022	839,171	1,427,356	2,266,527
2023	858,783	1,479,799	2,338,582
Thereafter	8,096,241	19,179,640	27,275,881
	\$ 12,199,477	25,523,321	37,722,798

- (a) The Siemens Financial Ltd., Tranche B loan facility has a borrowing limit of \$5,450,000.

Under terms of the Tranche B loan facility agreement Batchewana First Nation shall apply 100% of the operating income from the Bow Lake wind farm project, less the aggregate of (i) debt service during the repayment period and (ii) contributions of the debt service reserve account during the repayment period to the repayment of principal outstanding on the Tranche B Loans. On each Term Loan Payment Date following the date on which the outstanding principal amount of the Tranche B Loan is reduced to \$3,500,000 or less, Batchewana First Nation shall apply 90% of the operating income from the wind farm project to the repayment of principal outstanding on the Tranche B Loans. Batchewana First Nation shall apply 100% of any Special Distributions to the repayment of principal outstanding on the Tranche B Loans.

The Tranche B loan was repaid in full during the year.

- (b) The Bank of Montreal loan (the "BMO Loan Agreement") borrowed through 2419656 Ontario Inc. (the "Borrower") is secured by a security pledge agreement for the shares of Borrower held by the First Nation, a general security agreement in respect of the Borrower's interest in CWHLP and CWGP, an assignment of the Proceeds Account (see note 3) and payments made by CWHLP, and a loan guarantee by the Province of Ontario for the sum of the principal amount of the loan to a maximum of \$9,611,000 and all accrued but unpaid interest.

BATCHEWANA FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2018

15. Accumulated surplus:

Accumulated surplus is comprised of the following:

	2018	2017
Reserves	\$ 13,835,342	\$ 11,438,869
Equity in tangible capital assets	16,317,627	14,105,665
Renewable Energy Partnerships deficit	(11,199,581)	(16,768,120)
Members' deficit	(3,133,885)	(1,453,558)
Funds held in trust	440,922	423,698
	<u>\$ 16,260,425</u>	<u>\$ 7,746,554</u>

Allocation of annual surplus (deficit):

	2018	2017
Reserves	\$ 2,396,473	\$ 556,681
Equity in tangible capital assets	2,211,962	260,698
Operations	(1,703,531)	(549,471)
Renewable Energy Partnerships	5,568,539	(1,224,575)
Batchewana Band Industries Limited	349	7,262
Mukwaa 2 Inc.	22,855	(17,619)
Funds held in trust	17,224	17,344
	<u>\$ 8,513,871</u>	<u>\$ (949,680)</u>

BATCHEWANA FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2018

16. Contingent liabilities:

- (i) The First Nation has an agreement with the Royal Bank under the First Nation on Reserve Loan Program providing for an aggregate credit facility in the amount of \$2,500,000 for qualified members of the First Nation. As of March 31, 2018, the First Nation has guaranteed loans with remaining principal balances of \$717,348.
- (ii) The First Nation has an agreement with the Bank of Montreal providing for an aggregate credit facility in the amount of \$2,500,000 under the First Nation on Reserve Loan Program and \$250,000 under the First Nation on Reserve Loan Program for qualified members of Batchewana First Nation. As of March 31, 2018, the First Nation has guaranteed loans with remaining principal balances of \$508,502 (2017 - \$615,668).
- (iii) In accordance with terms and conditions of a financing arrangement between the Bank of Montreal and the Robinson Huron Treaty Trust (the "Trust"), the First Nation as a beneficiary of the Trust has guaranteed borrowings in proportion to its beneficial interest in the Trust in the amount of \$507,500. As of March 31, 2018, its proportional outstanding loan balance as part of the Trust is \$505,911 (2017 - \$227,527).

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

- (iv) The First Nation has provided a guarantee and postponement of claim in the amount of \$940,595 in favour of the Royal Bank on behalf of Batchewana Band Industries Limited (BBI). As of March 31, 2018, BBI had not drawn on this loan with the Royal Bank.
- (v) The First Nation has been named as defendant in various legal actions. The outcome of these actions are not determinable at this time and accordingly, no amounts have been reflected in the accounts of the First Nation for this matter.

17. Indigenous and Northern Affairs Canada revenue:

	2018	2017
Revenue per confirmation	\$ 10,105,664	\$ 9,621,431
Approval – Funerals and Burials	-	(11,308)
INAC funding repayable	(616,464)	(119,818)
INAC funding deferred	(94,370)	-
	<u>\$ 9,394,830</u>	<u>\$ 9,490,305</u>

BATCHEWANA FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2018

18. Budget:

The operating budget approved by the First Nation for 2018 was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget figures anticipated use of reserves to reduce current year expenditures. In addition, the budget expensed principal payments of debt.

The consolidated budget figures presented in the Consolidated Statement of Operations and Accumulated Surplus and the Consolidated Statement of Change in Net Financial Assets have been restated to be comparable with the Public Sector Accounting Standards. A reconciliation of the Council approved budget and the consolidated budget presented in these consolidated financial statements is presented below:

Budgeted surplus for the year:	\$ (1,119,943)
Adjustments to adopted budget:	
Principal portion of loan payments	988,955
Transfers from reserves and other	4,207,603
Budgeted surplus per statements of operations	\$ 4,076,615

19. Comparative information:

The consolidated financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year excess of revenue over expenses.

20. Segmented information:

Batchewana First Nation is a diversified governmental institution that provides a wide range of services to its band members, including education, infrastructure maintenance, medical and other health services, administration, capital, enterprises and other services. For management reporting purposes the First Nation's operations and activities are organized and reported by program. Programs 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 functional areas and their activities are reported in these programs. Certain functional areas that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

Social assistance

The social assistance department is responsible for administering assistance payments as well as providing services directed towards members.

BATCHEWANA FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2018

20. Segmented information (continued):

Government

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 council.

Infrastructure maintenance

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

Education

The education department provides services to elementary and secondary students primarily by entering into service contracts with provincially funded area school boards, as well as native language study. In addition, the department reimburses tuition costs and provides living and other allowances to students who are attending post-secondary institutions.

Capital

This department is responsible for all capital asset activities occurring in the First Nation during the year, including housing construction and renovations.

Medical and other health services

The community wellness department provides a diverse bundle of service directed towards the well-being of members including such activities as long-term care, medical transportation, pre-natal and early childhood care, nursing, health representation, traditional healing, family violence prevention and many other smaller programs designed to enhance the health of members.

Enterprises

Band operated enterprises are activities conducted by the First Nation with the objective of promoting economic self-sufficiency. These activities could include income generated from renting out band-owned equipment, lease income and other projects from time to time.

BATCHEWANA FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2018

20. Segmented information (continued):

Other services

The First Nation provides a wide array of other services, including youth employment projects, library, economic development, housing activities, forestry and others.

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 of the consolidated financial statements as disclosed in the summary of significant accounting policies.

BATCHEWANA FIRST NATION

Note 20 - Segmented Information (continued)

Year ended March 31, 2018

	Social Assistance	Government	Infrastructure Maintenance	Education	Capital	Medical and Other Health Services	Enterprises	Other Services	2018 Total
Revenue	\$ 1,328,809	812,763	466,916	6,810,966	1,071,012	2,607,222	15,856,999	13,567,274	\$ 42,521,961
Expenses:									
Salaries and benefits	226,564	754,644	177,051	581,160	60,578	1,216,787	1,812,473	1,898,024	6,727,281
Materials, supplies and capital	11,778	68,513	158,923	221,471	439,920	466,679	2,442,683	777,024	4,586,991
Contracted services	-	257,543	273,744	14,141	460	121,863	1,088,066	151,328	1,907,145
Rents and financial expenses	49,602	18,100	74,337	1,730	1,502	37,625	2,349,244	164,576	2,696,716
External transfers and other	1,039,513	(1,010,811)	36,742	6,204,134	67,005	747,215	8,553,761	1,155,722	16,793,281
Amortization of tangible capital assets	1,352	24,166	308,372	15,824	-	124,880	203,203	618,879	1,296,676
	1,328,809	112,155	1,029,169	7,038,460	569,465	2,715,049	16,449,430	4,765,553	34,008,090
Excess (deficiency) of revenue over expenses	\$ -	700,608	(562,253)	(227,494)	501,547	(107,827)	(592,431)	8,801,721	\$ 8,513,871

BATCHEWANA FIRST NATION

Note 20 - Segmented Information (continued)

Year ended March 31, 2017

	Social Assistance	Government	Infrastructure Maintenance	Education	Capital	Medical and Other Health Services	Enterprises	Other Services	2017 Total
Revenue	\$ 1,497,562	624,563	476,582	6,306,219	993,762	2,032,998	10,729,411	7,581,847	\$ 30,242,944
Expenses:									
Salaries and benefits	223,234	909,911	164,802	626,265	60,347	1,030,918	1,658,029	2,039,694	6,713,200
Materials, supplies and capital	14,808	48,344	128,607	290,492	157,030	328,637	1,797,262	490,457	3,255,637
Contracted services	-	63,462	286,099	12,866	12,883	61,348	791,453	73,276	1,301,387
Rents and financial expenses	46,767	18,000	121,344	1,562	425	41,569	2,670,921	205,422	3,106,010
External transfers and other	1,211,401	(937,767)	58,777	5,573,734	69,604	564,525	7,787,840	1,275,427	15,603,541
Amortization of tangible capital assets	1,352	2,560	302,195	18,026	-	122,396	203,203	563,117	1,212,849
	1,497,562	104,510	1,061,824	6,522,945	300,289	2,149,393	14,908,708	4,647,393	31,192,624
Excess (deficiency) of revenue over expenses	\$ -	520,053	(585,242)	(216,726)	693,473	(116,395)	(4,179,297)	2,934,454	\$ (949,680)