

Consolidated Financial Statements of

# **BATCHEWANA FIRST NATION**

And Independent Auditors' Report thereon

Year ended March 31, 2020

## 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.

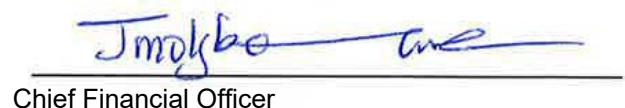
Batchewana is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements.

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



Chief Financial Officer



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

### ***Opinion***

We have audited the consolidated financial statements of Batchewana 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 change in net assets (debt) for the year then ended
- the consolidated statement of cash flows for the year then ended
- and 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 accumulated surplus, its consolidated changes in net assets (debt) and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***" section of our 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 ethical responsibilities in accordance with these requirements.

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



## ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

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

Those charged with governance are responsible for overseeing the First Nation's financial reporting process.

## ***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 risks 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, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the First Nation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the First Nation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated 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 signature is written in a cursive, stylized font. Below the signature is a long, horizontal, slightly wavy line.

Chartered Professional Accountants, Licensed Public Accountants

Sault Ste. Marie, Canada

January 8, 2021

# BATCHEWANA FIRST NATION

Index to Consolidated Financial Statements

Year ended March 31, 2020

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## Financial Statements

|           |                                                              |        |
|-----------|--------------------------------------------------------------|--------|
| Exhibit A | Consolidated Statement of Financial Position                 | 1      |
| Exhibit B | Consolidated Statement of Operations and Accumulated Surplus | 2      |
| Exhibit C | Consolidated Statement of Changes in Net Debt                | 3      |
| Exhibit D | Consolidated Statement of Cash Flows                         | 4      |
|           | Notes to Consolidated Financial Statements                   | 5 - 26 |

# BATCHEWANA FIRST NATION

## Exhibit A - Consolidated Statement of Financial Position

March 31, 2020, with comparative information for 2019

|                                                                 | 2020              | 2019               |
|-----------------------------------------------------------------|-------------------|--------------------|
| <b>Financial assets</b>                                         |                   |                    |
| Cash (note 2)                                                   | \$ 14,826,199     | \$ 6,066,422       |
| Restricted cash (note 3)                                        | 825,216           | 2,440,065          |
| Accounts receivable (note 4)                                    | 4,232,751         | 3,235,165          |
| Investment in Batchewana Band Industries Limited (note 5)       | 1,574,186         | 1,542,109          |
| Investment in Mukwaa 2 Inc. (note 6)                            | 689,501           | 677,266            |
| Investment in Nodin Kitagan Limited Partnerships (note 7)       | 4                 | 13,129,589         |
| Investment in Chi-Wiikwedong LP (note 8)                        | 10,347,431        | 10,566,515         |
| Investment in GBG-BFN Limited Partnership (note 9)              | 341,777           | 362,317            |
| Investment and advances in Zaagate Giizis Energy Inc. (note 10) | 1,481,989         | 1,455,031          |
| Trust funds held by federal government                          | 478,836           | 451,163            |
|                                                                 | <b>34,797,890</b> | <b>39,925,642</b>  |
| <b>Financial liabilities</b>                                    |                   |                    |
| Operating lines of credit (note 2)                              | 2,032,822         | 1,333              |
| Accounts payable and accrued liabilities                        | 3,115,315         | 3,364,953          |
| Deferred revenue (note 11)                                      | 1,648,403         | 1,613,342          |
| Term demand loans (note 12)                                     | 7,382,499         | 8,175,679          |
| Long-term debt (note 14)                                        | 18,409,923        | 36,510,078         |
|                                                                 | <b>32,588,962</b> | <b>49,665,385</b>  |
| Net assets (debt)                                               | <b>2,208,928</b>  | <b>(9,739,743)</b> |
| <b>Non-financial assets</b>                                     |                   |                    |
| Tangible capital assets (note 13)                               | 29,747,505        | 28,470,372         |
| Prepaid expenses and inventory of supplies                      | 233,305           | 141,180            |
|                                                                 | <b>29,980,810</b> | <b>28,611,552</b>  |
| Contingent liabilities (note 16)                                |                   |                    |
| Effects of COVID-19 (note 20)                                   |                   |                    |
| Accumulated surplus (note 15)                                   | \$ 32,189,738     | \$ 18,871,809      |

See accompanying notes to consolidated financial statements.

Approved:

  
Chief

  
Chief Financial Officer

# BATCHEWANA FIRST NATION

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

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

|                                                        | Budget<br>(note 18) | 2020          | 2019          |
|--------------------------------------------------------|---------------------|---------------|---------------|
| <b>Revenue:</b>                                        |                     |               |               |
| Indigenous Services Canada (note 17)                   | \$ 10,181,424       | \$ 11,856,934 | \$ 9,970,817  |
| Province of Ontario                                    | 2,555,042           | 2,424,257     | 2,777,861     |
| Government of Canada                                   | 817,871             | 782,514       | 2,486,514     |
| Ontario First Nations Limited Partnership              | 1,600,000           | 1,499,030     | 1,729,738     |
| North Shore Tribal Council                             | 1,373,393           | 1,381,717     | 1,373,986     |
| Band operated enterprises                              | 9,293,200           | 9,169,973     | 9,371,906     |
| Other                                                  | 9,142,034           | 22,653,858    | 8,866,357     |
| Government of Canada Trust Funds                       | 10,500              | 27,673        | 10,240        |
|                                                        | 34,973,464          | 49,795,956    | 36,587,419    |
| <b>Expenses:</b>                                       |                     |               |               |
| Niigaanin                                              | 1,313,116           | 1,286,588     | 1,317,116     |
| Government                                             | 2,210,158           | 1,575,844     | 490,102       |
| Lands, Memberships and Estates                         | 65,647              | 67,312        | 73,865        |
| Elections                                              | -                   | -             | 19,015        |
| Licensing                                              | 6,000               | 6,000         | 6,750         |
| Community Services                                     | 1,165,988           | 1,251,519     | 1,059,074     |
| Education                                              | 6,730,951           | 6,672,750     | 7,203,205     |
| Child Day Care                                         | 1,052,733           | 897,512       | 871,178       |
| Cultural Education Centre                              | -                   | 1,573         | 1,573         |
| Capital Projects                                       | 600,166             | 928,226       | 819,797       |
| Other Subsidized Programs                              | 2,010,937           | 1,871,898     | 1,645,216     |
| Health                                                 | 3,913,396           | 3,350,680     | 3,632,108     |
| Employment and Training                                | 493,075             | 503,750       | 510,788       |
| Arena Operations                                       | 1,072,990           | 1,386,260     | 1,314,980     |
| Band Operated Activities - Buildings                   | 541,754             | 586,425       | 416,399       |
| Band Operated Activities - CMHC                        | 1,048,717           | 1,090,721     | 1,120,536     |
| Bingo Operations                                       | 9,001,065           | 9,102,481     | 8,947,686     |
| Other Band Activities                                  | 717,333             | 538,883       | 710,146       |
| Renewable Energy Development                           | 175,000             | 25,472        | 217,408       |
| Other Band Activities - Natural Resources              | 737,819             | 785,888       | 628,093       |
| Band Committees                                        | 33,457              | 35,869        | 33,089        |
| Other Band Operated Enterprises                        | 284,976             | 416,851       | 333,983       |
| Batchewana First Nation Housing Authority Incorporated | 192,664             | 248,692       | 325,701       |
| Batchewana Band Industries Ltd.                        | (95,000)            | (32,077)      | (94,914)      |
| Renewable Energy Enterprises                           | 943,218             | 3,878,910     | 2,373,141     |
|                                                        | 34,216,160          | 36,478,027    | 33,976,035    |
| Excess of revenue over expenses                        | 757,304             | 13,317,929    | 2,611,384     |
| Accumulated surplus, beginning of year                 | 18,871,809          | 18,871,809    | 16,260,425    |
| Accumulated surplus, end of year                       | \$ 19,629,113       | \$ 32,189,738 | \$ 18,871,809 |

See accompanying notes to consolidated financial statements.



# BATCHEWANA FIRST NATION

## Exhibit C - Consolidated Statement of Changes in Net Assets (Debt)

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

|                                                      | Budget<br>(note 18) | 2020          | 2019           |
|------------------------------------------------------|---------------------|---------------|----------------|
| Excess of revenue over expenses                      | \$ 757,304          | \$ 13,317,929 | \$ 2,611,384   |
| Acquisition of tangible capital assets               | -                   | (2,798,133)   | (1,338,966)    |
| Loss on disposal of tangible capital assets          | -                   | 111,358       | -              |
| Amortization of tangible capital assets              | 1,348,594           | 1,409,642     | 1,385,698      |
| Change in prepaid expenses and inventory of supplies | -                   | (92,125)      | 7,898          |
| Change in net assets                                 | 2,105,898           | 11,948,671    | 2,666,014      |
| Net debt, beginning of year                          | (9,739,743)         | (9,739,743)   | (12,405,757)   |
| Net assets (debt), end of year                       | \$ (7,633,845)      | \$ 2,208,928  | \$ (9,739,743) |

See accompanying notes to consolidated financial statements.

# BATCHEWANA 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                                                      | \$ 13,317,929 | \$ 2,611,384 |
| Adjustment for:                                                                      |               |              |
| Amortization of tangible capital assets                                              | 1,409,642     | 1,385,698    |
| Loss on disposal of tangible capital assets                                          | 111,358       | -            |
| Income from Nodin Kitagan Limited Partnerships special distribution above book value | (12,595,003)  | -            |
| Share of operating profit from investment in Batchewana Band Industries Limited      | (32,077)      | (94,914)     |
| Share of operating (profit) loss from investment in Mukwaa 2 Inc.                    | (12,235)      | 65,061       |
| Share of operating profit from Nodin Kitagan Limited Partnerships                    | (4,092,498)   | (3,234,997)  |
| Share of operating profit from Chi-Wiikwedong LP                                     | (776,421)     | (1,466,469)  |
| Share of operating profit from investment in GBG-BFN Limited Partnership             | (20,364)      | (21,146)     |
| Share of operating profit from Zaagate Giizis Energy Inc.                            | (26,958)      | (64,174)     |
|                                                                                      | (2,716,627)   | (819,557)    |
| Changes in non-cash working capital:                                                 |               |              |
| Increase in accounts receivable                                                      | (997,586)     | (70,320)     |
| (Increase) decrease in prepaid expenses and inventory of supplies                    | (92,125)      | 7,898        |
| (Decrease) increase in accounts payable and accrued liabilities                      | (249,638)     | 680,854      |
| Increase in deferred revenue                                                         | 35,061        | 1,347,684    |
| Decrease in term demand loans                                                        | (793,180)     | (730,617)    |
|                                                                                      | (4,814,095)   | 415,942      |
| Capital transactions:                                                                |               |              |
| Cash used to acquire tangible capital assets                                         | (2,798,133)   | (1,338,966)  |
| Financing transactions:                                                              |               |              |
| Increase (decrease) in operating lines of credit                                     | 2,031,489     | (1,407,571)  |
| Long-term debt advanced during year                                                  | -             | 338,394      |
| Principal payments on long-term debt                                                 | (18,100,155)  | (1,551,114)  |
|                                                                                      | (16,068,666)  | (2,620,291)  |
| Investing transactions:                                                              |               |              |
| Distributions from Chi-Wiikwedong LP                                                 | 995,505       | 1,436,164    |
| Distributions from Nodin Kitagan Limited Partnerships                                | 29,817,086    | 2,400,000    |
| Distributions from GBG-BFN Limited Partnership                                       | 40,904        | 63,750       |
| Repayment from Zaagate Giizis Energy Inc.                                            | -             | 12,358       |
| Increase in trust funds held by federal government                                   | (27,673)      | (10,241)     |
|                                                                                      | 30,825,822    | 3,902,031    |
| Net increase in cash                                                                 | 7,144,928     | 358,716      |
| Cash, beginning of year                                                              | 8,506,487     | 8,147,771    |
| Cash, end of year                                                                    | \$ 15,651,415 | \$ 8,506,487 |
| Represented by:                                                                      |               |              |
| Cash                                                                                 | \$ 14,826,199 | \$ 6,066,422 |
| Restricted cash                                                                      | 825,216       | 2,440,065    |
|                                                                                      | \$ 15,651,415 | \$ 8,506,487 |

See accompanying notes to consolidated financial statements.

# BATCHEWANA FIRST NATION

## Notes to Consolidated Financial Statements

Year ended March 31, 2020

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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:

Batchewana First Nation Housing Authority 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, 2020

### 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<br>- 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, 2020

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### 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.

(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) Trust funds held by federal government:

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, 2020

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### 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 unrestricted operating line of credit of \$1,500,000 with Scotiabank. At March 31, 2020, there is an outstanding balance of \$1,080,000 (2019 – \$nil).
- (b) The First Nation has an overdraft line of credit of \$50,000 with CIBC. At March 31, 2020, there is an outstanding balance of \$nil (2019 – \$52,251). 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, 2020, there is an outstanding balance of \$952,822 (2019 – \$1,333). The line of credit is due on demand and has an interest rate of prime plus 1%.

The balance has been used to finance First Nation's purchase of land and buildings for future development.

- (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, 2020 there is an outstanding balance of \$nil (2019 – \$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. facility, 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 7 and 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, 2020

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### 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 \$557,842 (2019 – \$123,833) 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 March 31, 2020, the First Nation is required to have set aside \$621,565 (2019 – \$553,353).

# BATCHEWANA FIRST NATION

## Notes to Consolidated Financial Statements

Year ended March 31, 2020

### 4. Accounts receivable:

|                                                 | 2020         | 2019         |
|-------------------------------------------------|--------------|--------------|
| Indigenous Services Canada                      | \$ 1,465,972 | \$ 1,217,363 |
| Province of Ontario                             | 108,950      | 535,187      |
| Government of Canada                            | 308,528      | 48,934       |
| North Shore Tribal Council                      | 268,769      | 259,897      |
| Aboriginal Labour Force Development Corporation | 112,584      | 39,243       |
| Other First Nations (Education Boarding Homes)  | –            | 254,554      |
| Other                                           | 1,065,425    | 765,441      |
| Investment distributions (i)                    | 1,175,000    | 580,000      |
|                                                 | 4,505,228    | 3,700,619    |
| Less: allowance for doubtful accounts           | (272,477)    | (465,454)    |
|                                                 | \$ 4,232,751 | \$ 3,235,165 |

- i. Included first quarter cash distributions from the investment in Nodin Kitagan Limited Partnership of \$1,175,000 (2019 – \$580,000). These amounts have been collected subsequent to March 31, 2020.

### 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,<br>2019 | December 31,<br>2018 |
|---------------------|----------------------|----------------------|
| Retained earnings   | \$ 1,558,586         | \$ 1,526,509         |
| Contributed surplus | 15,600               | 15,600               |
|                     | \$ 1,574,186         | \$ 1,542,109         |

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

|                           | December 31,<br>2019 | December 31,<br>2018 |
|---------------------------|----------------------|----------------------|
| Assets                    | \$ 2,414,653         | \$ 2,452,014         |
| Liabilities               | 840,467              | 909,905              |
| Revenues                  | 453,558              | 435,518              |
| Net earnings for the year | 32,077               | 94,914               |



# BATCHEWANA FIRST NATION

## Notes to Consolidated Financial Statements

Year ended March 31, 2020

### 6. Investment – Mukwaa 2 Inc.:

Mukwaa 2 Inc. is a wholly owned corporation of Batchewana First Nation. The corporation undertakes economic development activities on behalf of the First Nation.

|                                | 2020              | 2019              |
|--------------------------------|-------------------|-------------------|
| Share capital                  | \$ 255,000        | \$ 255,000        |
| Retained earnings and advances | 434,501           | 422,266           |
|                                | <u>\$ 689,501</u> | <u>\$ 677,266</u> |

#### Financial position

|                                  |            |            |
|----------------------------------|------------|------------|
| Total assets                     | \$ 689,501 | \$ 743,940 |
| Total liabilities                | –          | 66,674     |
| Revenue                          | 20,569     | –          |
| Net earnings (loss) for the year | 12,235     | (65,061)   |

### 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”).

|                                          | 2020        | 2019                 |
|------------------------------------------|-------------|----------------------|
| Nodin Kitagan Limited Partnerships       | \$ 2        | \$ 13,129,589        |
| Shongwish Nodin Kitagan General Partners | 2           | 2                    |
|                                          | <u>\$ 4</u> | <u>\$ 13,129,591</u> |

#### Investments in Limited Partnerships

The investments in the partnerships are measured using the modified equity method. The investment in partnerships have been reduced to nominal value of \$4 after reflecting the Divisions’ share of the operating profits and distributions since inception.

# BATCHEWANA FIRST NATION

## Notes to Consolidated Financial Statements

Year ended March 31, 2020

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

The investments at March 31, 2020 consist of the following:

|                                     | NKLP           | NK2LP          | 2020            | 2019          |
|-------------------------------------|----------------|----------------|-----------------|---------------|
| Balance, beginning of year          | \$ 4,586,631   | \$ 8,542,958   | \$ 13,129,589   | \$ 12,294,592 |
| Regular partner distributions       | (810,000)      | (3,485,000)    | (4,295,000)     | (2,400,000)   |
| Special partner distributions       | (9,636,599)    | (15,885,487)   | (25,522,086)    | –             |
| First Nation's share<br>of earnings | 819,500        | 3,272,996      | 4,092,496       | 3,234,997     |
| Balance, end of year                | \$ (5,040,468) | \$ (7,554,533) | \$ (12,595,001) | \$ 13,129,589 |

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

|                                               | NKLP           | NK2LP           | 2020            | 2019           |
|-----------------------------------------------|----------------|-----------------|-----------------|----------------|
| <b>Financial position</b>                     |                |                 |                 |                |
| Current assets                                | \$ 2,341,000   | \$ 4,642,000    | \$ 6,983,000    | \$ 11,199,000  |
| Non-current assets                            | 76,195,000     | 129,964,000     | 206,159,000     | 215,522,000    |
| Total assets                                  | \$ 78,536,000  | \$ 134,606,000  | \$ 213,142,000  | \$ 226,721,000 |
| Current liabilities                           | \$ 4,238,000   | \$ 7,201,000    | \$ 11,439,000   | \$ 12,200,000  |
| Non-current liabilities                       | 83,548,000     | 139,454,000     | 233,002,000     | 185,342,000    |
| Total liabilities                             | \$ 87,786,000  | \$ 146,655,000  | \$ 234,441,000  | \$ 197,542,000 |
| <b>Results of operations</b>                  |                |                 |                 |                |
| Revenue                                       | \$ 9,650,000   | \$ 19,652,000   | \$ 29,302,000   | \$ 28,913,000  |
| Operating expenses                            | (1,551,000)    | (2,786,000)     | (4,337,000)     | (3,752,000)    |
| Other expenses                                | (5,143,000)    | (8,314,000)     | (13,457,000)    | (19,213,000)   |
| Net income                                    | 2,956,000      | 8,552,000       | 11,508,000      | 5,948,000      |
| Items of other comprehensive<br>(loss) income | (1,317,000)    | (2,006,000)     | (3,323,000)     | 522,000        |
| Comprehensive income                          | \$ 1,639,000   | \$ 6,546,000    | \$ 8,185,000    | \$ 6,470,000   |
| Partner's equity                              | \$ (9,250,000) | \$ (12,049,000) | \$ (21,229,000) | \$ 29,179,000  |

# BATCHEWANA FIRST NATION

## Notes to Consolidated Financial Statements

Year ended March 31, 2020

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

#### Investments in General Partnership

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

|                                 | SNKGP | SNK2GP | 2020 | 2019 |
|---------------------------------|-------|--------|------|------|
| Number of common shares Class A | \$ 1  | \$ 1   | \$ 2 | \$ 2 |
| Cost of investment              | \$ 1  | \$ 1   | \$ 2 | \$ 2 |

#### Special distributions

On April 3, 2019 the First Nation through Mukwaa Inc. (bare trustee corporation) received a \$25,522,086 partnership distribution from its investment in the Nodin Kitagan Limited Partnerships. The proceeds from the distribution were used to repay the outstanding Siemens Financial Ltd. debt as well as related interest and debt retirement fees in the amount of \$16,525,823 and \$3,077,606 respectively. The net distribution proceeds of \$5,918,657 and previously restricted cash in the amount of \$1,517,796 has been internally set aside by the First Nation.

### 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 \$995,505 (2019 – \$1,436,164) of which included income in the amount of \$776,421 (2019 – \$1,273,105).

# BATCHEWANA FIRST NATION

## Notes to Consolidated Financial Statements

Year ended March 31, 2020

### 9. Investment – GBG-BFN Limited Partnership:

The First Nation has invested through 6597982 Manitoba Ltd., a bare trustee corporation, 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 Solar Projects 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.

|                             | 2020       | 2019       |
|-----------------------------|------------|------------|
| GBG-BFN Limited Partnership | \$ 341,777 | \$ 362,317 |

#### GBG-BFN Limited Partnership

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

|                                  | 2020       | 2019       |
|----------------------------------|------------|------------|
| Balance, beginning of year       | \$ 362,317 | \$ 404,921 |
| Partner distributions            | (40,904)   | (63,750)   |
| First Nation's share of earnings | 20,364     | 21,146     |
| Balance, end of year             | \$ 341,777 | \$ 362,317 |

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

|                           | 2020       | 2019       |
|---------------------------|------------|------------|
| <b>Financial position</b> |            |            |
| Total assets              | \$ 775,540 | \$ 775,213 |
| Total liabilities         | (105,434)  | (64,832)   |
| Partner's equity          | \$ 670,106 | \$ 710,381 |

|                              | 2020       | 2019       |
|------------------------------|------------|------------|
| <b>Results of operations</b> |            |            |
| Revenue                      | \$ 104,387 | \$ 108,951 |
| Expenses                     | (64,458)   | (67,490)   |
| Net income                   | \$ 39,929  | \$ 41,461  |

# BATCHEWANA FIRST NATION

## Notes to Consolidated Financial Statements

Year ended March 31, 2020

### 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.

|                                               | 2020                | 2019                |
|-----------------------------------------------|---------------------|---------------------|
| Zaagate Giizis Energy Inc. (51 common shares) | \$ 51               | \$ 51               |
| Advances to Zaagate Giizis Energy Inc.        | 1,387,913           | 1,387,159           |
| Share of ZGEI's retained earnings             | 94,025              | 67,821              |
|                                               | <b>\$ 1,481,989</b> | <b>\$ 1,455,031</b> |

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

|                           | 2020         | 2019         |
|---------------------------|--------------|--------------|
| <b>Financial position</b> |              |              |
| Total assets              | \$ 2,728,665 | \$ 2,780,567 |
| Total liabilities         | 2,544,203    | 2,647,484    |
| Revenue                   | 303,073      | 330,806      |
| Net earnings for the year | 51,379       | 125,831      |

#### Subsequent event:

On July 10, 2020, the First Nation purchased 49 common shares representing the remaining 49% equity interest in ZGEI for \$364,432. The First Nation also advanced an additional \$1,149,592 to ZGEI to repay all loans owing to the former shareholder. This advance is a loan bearing interest at 4%, repayable to the First Nation over 15 years. These transactions increased the First Nation's interest in ZGEI by \$1,514,024. The First Nation now owns 100% of the common shares of ZGEI.

### 11. Deferred revenue:

Deferred revenue is broken down by program as follows:

|                            | March 31,<br>2019   | Funding<br>received | Revenue<br>recognized | March 31,<br>2020   |
|----------------------------|---------------------|---------------------|-----------------------|---------------------|
| Indigenous Services Canada | \$ 1,333,745        | \$ 1,259,261        | \$ (1,643,261)        | \$ 949,745          |
| Province of Ontario        | 189,615             | 789,769             | (655,692)             | 323,692             |
| Other                      | 89,982              | 996,525             | (711,541)             | 374,966             |
| Balance, end of year       | <b>\$ 1,613,342</b> | <b>\$ 3,045,55</b>  | <b>\$ (3,010,494)</b> | <b>\$ 1,648,403</b> |

# BATCHEWANA FIRST NATION

## Notes to Consolidated Financial Statements

Year ended March 31, 2020

### 12. Term demand loans:

|                                                                                                                                                                                                                                                                               | Operating  | Investing    | 2020         | 2019         |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|--------------|--------------|--------------|
| Loan 1 – Bank of Montreal, non-revolving term demand loan, related to the First Nation's equity investment in Mukwaa Inc., repayable at \$45,241 monthly plus interest at prime plus 1%, renewable August 2021                                                                | \$ 203,787 | \$ 5,089,426 | \$ 5,293,213 | \$ 5,877,465 |
| 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 2021 | –          | 2,089,286    | 2,089,286    | 2,298,214    |
|                                                                                                                                                                                                                                                                               | \$ 203,787 | \$ 7,178,712 | \$ 7,382,499 | \$ 8,175,679 |

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

Interest expense incurred during the year on term demand loans was \$348,786 (2019 – \$332,629).

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

|            | Operating  | Investing    | Total        |
|------------|------------|--------------|--------------|
| 2021       | \$ 20,901  | \$ 730,922   | \$ 751,823   |
| 2022       | 20,901     | 730,922      | 751,823      |
| 2023       | 20,901     | 730,922      | 751,823      |
| 2024       | 20,901     | 730,922      | 751,823      |
| 2024       | 20,901     | 730,922      | 751,823      |
| Thereafter | 99,282     | 3,524,102    | 3,623,384    |
|            | \$ 203,787 | \$ 7,178,712 | \$ 7,382,499 |

# BATCHEWANA FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2020

## 13. Tangible capital assets:

| Cost                     | Balance at<br>March 31,<br>2019 | Additions        | Disposals and<br>transfers | Balance at<br>March 31,<br>2020 |
|--------------------------|---------------------------------|------------------|----------------------------|---------------------------------|
| Land                     | \$ 383,001                      | 400,000          | -                          | 783,001                         |
| Land improvements        | 372,235                         | -                | -                          | 372,235                         |
| Buildings                | 18,451,316                      | 1,170,227        | (121,700)                  | 19,499,843                      |
| Housing                  | 15,120,350                      | 213,869          | (133,629)                  | 15,200,590                      |
| Infrastructure           | 9,276,828                       | -                | -                          | 9,276,828                       |
| Machinery and equipment  | 1,037,443                       | -                | -                          | 1,037,443                       |
| Vehicles                 | 504,565                         | 46,386           | -                          | 550,951                         |
| Furniture and equipment  | 695,874                         | 137,798          | -                          | 833,672                         |
| Construction in progress | 484,174                         | 1,314,027        | (484,174)                  | 1,314,027                       |
| <b>Total</b>             | <b>\$ 46,325,786</b>            | <b>3,282,307</b> | <b>(739,503)</b>           | <b>48,868,590</b>               |

| Accumulated<br>Amortization | Balance at<br>March 31,<br>2019 | Disposals        | Amortization     | Balance at<br>March 31,<br>2020 |
|-----------------------------|---------------------------------|------------------|------------------|---------------------------------|
| Land                        | \$ -                            | -                | -                | -                               |
| Land improvements           | 157,646                         | -                | 18,612           | 176,258                         |
| Buildings                   | 6,751,408                       | (121,700)        | 487,055          | 7,116,763                       |
| Housing                     | 4,299,587                       | (22,271)         | 480,990          | 4,758,306                       |
| Infrastructure              | 5,228,727                       | -                | 270,631          | 5,499,358                       |
| Machinery and equipment     | 527,355                         | -                | 77,327           | 604,682                         |
| Vehicles                    | 237,218                         | -                | 42,673           | 279,891                         |
| Furniture and equipment     | 653,473                         | -                | 32,354           | 685,827                         |
| Construction in progress    | -                               | -                | -                | -                               |
| <b>Total</b>                | <b>\$ 17,855,414</b>            | <b>(143,971)</b> | <b>1,409,642</b> | <b>19,121,085</b>               |

|                          | Net book value,<br>March 31,<br>2019 | Net book value,<br>March 31,<br>2020 |
|--------------------------|--------------------------------------|--------------------------------------|
| Land                     | \$ 383,001                           | 783,001                              |
| Land improvements        | 214,589                              | 195,977                              |
| Buildings                | 11,699,908                           | 12,383,080                           |
| Housing                  | 10,820,763                           | 10,442,284                           |
| Infrastructure           | 4,048,101                            | 3,777,470                            |
| Machinery and equipment  | 510,088                              | 432,761                              |
| Vehicles                 | 267,347                              | 271,060                              |
| Furniture and equipment  | 42,401                               | 147,845                              |
| Construction in progress | 484,174                              | 1,314,027                            |
| <b>Total</b>             | <b>\$ 28,470,372</b>                 | <b>29,747,505</b>                    |

# BATCHEWANA FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2020

## 13. Tangible capital assets (continued):

| Cost                     | Balance at<br>March 31,<br>2018 | Additions        | Disposals and<br>transfers | Balance at<br>March 31,<br>2019 |
|--------------------------|---------------------------------|------------------|----------------------------|---------------------------------|
| Land                     | \$ 383,001                      | -                | -                          | 383,001                         |
| Land improvements        | 372,235                         | -                | -                          | 372,235                         |
| Buildings                | 18,346,544                      | 104,772          | -                          | 18,451,316                      |
| Housing                  | 12,965,924                      | 2,154,426        | -                          | 15,120,350                      |
| Infrastructure           | 9,276,828                       | 72,500           | (72,500)                   | 9,276,828                       |
| Machinery and equipment  | 851,813                         | 185,630          | -                          | 1,037,443                       |
| Vehicles                 | 337,475                         | 167,090          | -                          | 504,565                         |
| Furniture and equipment  | 695,874                         | -                | -                          | 695,874                         |
| Construction in progress | 1,829,626                       | 484,174          | (1,829,626)                | 484,174                         |
| <b>Total</b>             | <b>\$ 45,059,320</b>            | <b>3,168,592</b> | <b>(1,902,126)</b>         | <b>46,325,786</b>               |

| Accumulated<br>Amortization | Balance at<br>March 31,<br>2017 | Disposals       | Amortization     | Balance at<br>March 31,<br>2019 |
|-----------------------------|---------------------------------|-----------------|------------------|---------------------------------|
| Land                        | \$ -                            | -               | -                | -                               |
| Land improvements           | 139,035                         | -               | 18,611           | 157,646                         |
| Buildings                   | 6,290,125                       | -               | 461,283          | 6,751,408                       |
| Housing                     | 3,808,481                       | -               | 491,106          | 4,299,587                       |
| Infrastructure              | 5,030,141                       | (72,500)        | 271,086          | 5,228,727                       |
| Machinery and equipment     | 447,297                         | -               | 80,058           | 527,355                         |
| Vehicles                    | 193,970                         | -               | 43,248           | 237,218                         |
| Furniture and equipment     | 633,167                         | -               | 20,306           | 653,473                         |
| Construction in progress    | -                               | -               | -                | -                               |
| <b>Total</b>                | <b>\$ 16,542,216</b>            | <b>(72,500)</b> | <b>1,385,698</b> | <b>17,855,414</b>               |

|                          | Net book value,<br>March 31,<br>2018 | Net book value,<br>March 31,<br>2019 |
|--------------------------|--------------------------------------|--------------------------------------|
| Land                     | \$ 383,001                           | 383,001                              |
| Land improvements        | 233,200                              | 214,589                              |
| Buildings                | 12,056,419                           | 11,699,908                           |
| Housing                  | 9,157,443                            | 10,820,763                           |
| Infrastructure           | 4,246,687                            | 4,048,101                            |
| Machinery and equipment  | 404,516                              | 510,088                              |
| Vehicles                 | 143,505                              | 267,347                              |
| Furniture and equipment  | 62,707                               | 42,401                               |
| Construction in progress | 1,829,626                            | 484,174                              |
| <b>Total</b>             | <b>\$ 28,517,104</b>                 | <b>28,470,372</b>                    |



# BATCHEWANA FIRST NATION

## Notes to Consolidated Financial Statements

Year ended March 31, 2020

### 14. Long-term debt:

| CMHC Project                                                                                                                      | Renewal Date  | Monthly Payment | Interest Rate | 2020          | 2019          |
|-----------------------------------------------------------------------------------------------------------------------------------|---------------|-----------------|---------------|---------------|---------------|
| Senior's complex                                                                                                                  | Apr. 1, 2022  | \$ 3,760        | 1.43%         | \$ 497,393    | \$ 535,760    |
| 16-135-543-002                                                                                                                    | Mar. 1, 2024  | 4,059           | 2.14%         | 391,865       | 432,518       |
| 16-135-543-003                                                                                                                    | Sept. 1, 2020 | 3,335           | 0.94%         | 394,009       | 430,485       |
| 16-135-543-004                                                                                                                    | Sept. 1, 2020 | 5,241           | 0.94%         | 619,133       | 676,452       |
| 16-135-543-005                                                                                                                    | Apr. 1, 2024  | 4,867           | 1.86%         | 487,924       | 537,631       |
| 16-135-543-006                                                                                                                    | May 1, 2022   | 9,222           | 1.35%         | 1,241,330     | 1,336,085     |
| 16-135-543-007                                                                                                                    | May 1, 2022   | 5,475           | 1.35%         | 736,955       | 793,209       |
| 16-135-543-008                                                                                                                    | May 1, 2023   | 3,338           | 2.49%         | 449,710       | 479,224       |
| 16-135-543-009                                                                                                                    | Oct. 1, 2023  | 6,889           | 2.68%         | 936,368       | 995,437       |
| 16-135-543-010                                                                                                                    | Dec. 1, 2019  | 1,271           | 1.83%         | 136,119       | 148,986       |
| 16-135-543-011                                                                                                                    | May 1, 2021   | 3,997           | 1.21%         | 704,219       | 744,174       |
| 16-135-543-012                                                                                                                    | Oct. 1, 2022  | 5,084           | 2.13%         | 1,032,910     | 1,072,269     |
| 16-135-543-013                                                                                                                    | June 1, 2023  | 7,391           | 2.50%         | 1,405,386     | 1,457,815     |
| CMHC subtotal                                                                                                                     |               |                 |               | 9,033,321     | 9,640,045     |
| All CMHC loans and advances are secured by Ministerial guarantees.                                                                |               |                 |               |               |               |
| Royal Bank, term loan, repayable \$11,132 monthly including interest at 4.43%, maturing November 2021                             |               |                 |               | 736,375       | 867,228       |
| Royal Bank, term loan, repayable \$15,858 monthly including interest at 3.96%, maturing November 2021                             |               |                 |               | 1,113,782     | 1,256,739     |
| Operating loans subtotal                                                                                                          |               |                 |               | 10,883,478    | 11,764,012    |
| Bank of Montreal, term loan, repayable at \$155,198 to \$254,528 quarterly including interest at 3.95% maturing February 2030 (a) |               |                 |               | 7,526,445     | 8,220,243     |
| Siemens Financial Ltd, Tranche A, term loan, bears interest at 8.5%, and was repaid April 3, 2019 (see note 7)                    |               |                 |               | —             | 16,525,823    |
| Investing loans subtotal                                                                                                          |               |                 |               | 7,526,445     | 24,746,066    |
|                                                                                                                                   |               |                 |               | \$ 18,409,923 | \$ 36,510,078 |

Interest expense incurred during the year on long term debt was \$868,827 (2019 – \$1,717,333).

# BATCHEWANA FIRST NATION

## Notes to Consolidated Financial Statements

Year ended March 31, 2020

### 14. Long-term debt (continued):

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

|            | Operating            | Investing           | Total                |
|------------|----------------------|---------------------|----------------------|
| 2021       | \$ 854,603           | \$ 691,478          | \$ 1,546,081         |
| 2022       | 875,592              | 1,373,951           | 2,249,543            |
| 2023       | 897,227              | 749,276             | 1,646,503            |
| 2024       | 919,532              | 757,813             | 1,677,345            |
| 2025       | 942,530              | 763,011             | 1,705,541            |
| Thereafter | 6,393,994            | 3,190,916           | 9,584,910            |
|            | <b>\$ 10,883,478</b> | <b>\$ 7,526,445</b> | <b>\$ 18,409,923</b> |

(a) 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.

### 15. Accumulated surplus:

Accumulated surplus is comprised of the following:

|                                      | 2020                 | 2019                 |
|--------------------------------------|----------------------|----------------------|
| Reserves                             | \$ 14,278,869        | \$ 14,017,592        |
| Equity in tangible capital assets    | 17,911,205           | 16,706,361           |
| Renewable Energy Enterprises deficit | (3,613,956)          | (7,182,010)          |
| Members' equity (deficit)            | 3,134,784            | (5,121,296)          |
| Funds held in trust                  | 478,836              | 451,162              |
|                                      | <b>\$ 32,189,738</b> | <b>\$ 18,871,809</b> |

Allocation of annual surplus (deficit):

|                                    | 2020                 | 2019                |
|------------------------------------|----------------------|---------------------|
| Reserves                           | \$ 261,277           | \$ 181,251          |
| Equity in tangible capital assets  | 1,206,178            | 388,734             |
| Operations                         | (1,853,844)          | (1,920,210)         |
| Renewable Energy Enterprises       | 13,632,332           | 3,921,516           |
| Batchewana Band Industries Limited | 32,077               | 94,914              |
| Mukwaa 2 Inc.                      | 12,235               | (65,061)            |
| Funds held in trust                | 27,674               | 10,240              |
|                                    | <b>\$ 13,317,929</b> | <b>\$ 2,611,384</b> |

# BATCHEWANA FIRST NATION

## Notes to Consolidated Financial Statements

Year ended March 31, 2020

### 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, 2020, the First Nation has guaranteed loans with remaining principal balances of \$1,487,575 (2019 – \$933,300).
- (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, 2020, the First Nation has guaranteed loans with remaining principal balances of \$595,722 (2019 – \$343,553).
- (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, 2020, its proportional outstanding loan balance as part of the Trust is \$507,500 (2019 – \$507,500).

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, 2020, 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 Services Canada revenue:

|                                      | 2020                 | 2019                |
|--------------------------------------|----------------------|---------------------|
| Revenue per confirmation             | \$ 11,595,548        | \$ 11,493,589       |
| ISC funding deferred in prior year   | 1,333,745            | 94,370              |
| ISC funding receivable in prior year | (95,000)             | –                   |
| ISC funding repayable                | (27,614)             | (283,397)           |
| ISC funding deferred                 | (949,745)            | (1,333,745)         |
|                                      | <u>\$ 11,856,934</u> | <u>\$ 9,970,817</u> |

# BATCHEWANA FIRST NATION

## Notes to Consolidated Financial Statements

Year ended March 31, 2020

### 18. Budget:

The operating budget approved by the First Nation for 2020 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 Assets (Debt) 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:

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|                                               |    |           |
|-----------------------------------------------|----|-----------|
| Budgeted surplus for the year:                | \$ | –         |
| Adjustments to adopted budget:                |    |           |
| Principal portion of loan payments            |    | 868,333   |
| Transfers from reserves and other             |    | (111,029) |
| Budgeted surplus per statements of operations | \$ | 757,304   |

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### 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. Effects of COVID-19:

On March 11, 2020, the World Health Organization declared the Coronavirus COVID-19 (COVID-19) outbreak a pandemic. 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.

# BATCHEWANA FIRST NATION

## Notes to Consolidated Financial Statements

Year ended March 31, 2020

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### 21. 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.

#### **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 as well as major projects such as water services and building construction.

#### **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.

# BATCHEWANA FIRST NATION

## Notes to Consolidated Financial Statements

Year ended March 31, 2020

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### 21. Segmented information (continued):

#### **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, gaming income and other projects from time to time.

#### **Other services**

The First Nation provides a wide array of other services, including youth employment projects, natural resource management, 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 21 - Segmented Information (continued)

Year ended March 31, 2020

|                                              | Social<br>Assistance | Government  | Infrastructure<br>Maintenance | Education | Capital   | Medical and<br>Other Health<br>Services | Enterprises | Other<br>Services | 2020<br>Total |
|----------------------------------------------|----------------------|-------------|-------------------------------|-----------|-----------|-----------------------------------------|-------------|-------------------|---------------|
| Revenue                                      | \$ 1,262,074         | 941,490     | 480,997                       | 6,714,393 | 1,817,162 | 3,130,450                               | 26,812,484  | 8,636,906         | \$ 49,795,956 |
| Expenses:                                    |                      |             |                               |           |           |                                         |             |                   |               |
| Salaries and benefits                        | 220,412              | 1,727,076   | 257,464                       | 805,283   | 68,215    | 1,694,937                               | 1,407,912   | 2,774,978         | 8,956,277     |
| Materials, supplies and capital              | 43,400               | 191,443     | 177,259                       | 357,841   | 606,245   | 350,023                                 | 930,811     | 873,350           | 3,530,372     |
| Contracted services                          | -                    | 635,962     | 327,928                       | 27,894    | 32,414    | 399,152                                 | 223,719     | 665,370           | 2,312,439     |
| Rents and financial expenses                 | 45,714               | 38,114      | 90,414                        | -         | 2,422     | 14,280                                  | 3,851,498   | 255,293           | 4,297,735     |
| External transfers and other                 | 975,710              | (1,040,393) | 84,357                        | 5,465,440 | 218,930   | 759,308                                 | 7,834,113   | 1,711,343         | 16,008,808    |
| Amortization of tangible capital assets      | 1,352                | 23,642      | 314,097                       | 16,292    | -         | 132,980                                 | 145,070     | 738,963           | 1,372,396     |
|                                              | 1,286,588            | 1,575,844   | 1,251,519                     | 6,672,750 | 928,226   | 3,350,680                               | 14,393,123  | 7,019,297         | 36,478,027    |
| Excess (deficiency) of revenue over expenses | \$ (24,514)          | (634,354)   | (770,522)                     | 41,643    | 888,936   | (220,230)                               | 12,419,361  | 1,617,609         | \$ 13,317,929 |

# BATCHEWANA FIRST NATION

Note 21 - Segmented Information (continued)

Year ended March 31, 2020

|                                              | Social<br>Assistance | Government | Infrastructure<br>Maintenance | Education | Capital | Medical and<br>Other Health<br>Services | Enterprises | Other<br>Services | 2019<br>Total |
|----------------------------------------------|----------------------|------------|-------------------------------|-----------|---------|-----------------------------------------|-------------|-------------------|---------------|
| Revenue                                      | \$ 1,317,116         | 651,773    | 495,500                       | 6,661,188 | 810,735 | 3,460,575                               | 14,216,679  | 8,973,853         | \$ 36,587,419 |
| Expenses:                                    |                      |            |                               |           |         |                                         |             |                   |               |
| Salaries and benefits                        | 215,332              | 892,002    | 175,743                       | 645,234   | 63,610  | 1,559,237                               | 1,321,116   | 2,701,191         | 7,573,465     |
| Materials, supplies and capital              | 17,411               | 142,147    | 151,593                       | 232,298   | 684,366 | 778,083                                 | 1,011,233   | 1,086,672         | 4,103,803     |
| Contracted services                          | -                    | 373,868    | 326,871                       | 3,640     | -       | 320,871                                 | 434,628     | 449,937           | 1,909,815     |
| Rents and financial expenses                 | 49,073               | 18,090     | 50,297                        | -         | 393     | 81,167                                  | 2,173,969   | 220,588           | 2,593,577     |
| External transfers and other                 | 1,033,948            | (959,648)  | 35,559                        | 6,306,209 | 71,428  | 759,770                                 | 7,767,199   | 1,437,669         | 16,452,134    |
| Amortization of tangible capital assets      | 1,352                | 23,643     | 319,011                       | 15,824    | -       | 132,980                                 | 145,070     | 705,361           | 1,343,241     |
|                                              | 1,317,116            | 490,102    | 1,059,074                     | 7,203,205 | 819,797 | 3,632,108                               | 12,853,215  | 6,601,418         | 33,976,035    |
| Excess (deficiency) of revenue over expenses | \$ -                 | 161,671    | (563,574)                     | (542,017) | (9,062) | (171,533)                               | 1,363,464   | 2,372,435         | \$ 2,611,384  |