

Consolidated Financial Statements of

BATCHEWANA FIRST NATION

And Independent Auditor's Report thereon

Year ended March 31, 2023

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 First Nation 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 First Nation's assets are appropriately accounted for and adequately safeguarded.

Batchewana First Nation 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 First Nation'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 auditor's 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



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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 consolidated financial statements.

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

We also:

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

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

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



KPMG LLP

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

INDEPENDENT AUDITOR'S 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, 2023
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of changes 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 "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the First Nation as at March 31, 2023 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 **"Auditor's Responsibilities for the Audit of the Consolidated Financial Statements"** section of our auditor's report.

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

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



Page 3

- 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 auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the First Nation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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' with a horizontal line underneath.

Chartered Professional Accountants, Licensed Public Accountants

Sault Ste. Marie, Canada

January 15, 2024

BATCHEWANA FIRST NATION

Index to Consolidated Financial Statements

Year ended March 31, 2023

Financial Statements

Consolidated Statement of Financial Position	1
Consolidated Statement of Operations and Accumulated Surplus	2
Consolidated Statement of Changes in Net Assets (Debt)	3
Consolidated Statement of Cash Flows	4
Notes to Consolidated Financial Statements	5 - 30

BATCHEWANA FIRST NATION

Consolidated Statement of Financial Position

March 31, 2023, with comparative information for 2022

	2023	2022
Financial assets		
Cash (note 2)	\$ 5,124,377	\$ 5,682,233
Restricted cash (note 3)	1,120,628	1,680,153
Accounts receivable (note 4)	7,634,865	7,365,240
Investment in Batchewana Band Industries Limited (note 5)	1,963,567	1,789,368
Investment in Mukwaa 2 Inc. (note 6)	-	686,557
Investment in Nodin Kitagan Limited Partnerships (note 7)	4	4
Investment in Chi-Wiikwedong LP (note 8)	9,280,290	9,595,736
Investment in GBG-BFN Limited Partnership (note 9)	275,502	327,965
Investment and advances in Zaagate Giizis Energy Inc. (note 10)	3,085,217	2,958,151
Investment in Batchewana Telecom Holding Inc. (note 11)	1,970,848	2,238,244
Trust funds held by federal government	543,411	514,496
	<u>30,998,709</u>	<u>32,838,147</u>
Liabilities		
Accounts payable and accrued liabilities	3,712,116	3,472,998
Deferred revenue (note 12)	8,129,491	9,684,505
Term demand loans (note 13)	5,127,032	5,878,854
Long-term debt (note 15)	13,679,869	15,362,777
	<u>30,648,508</u>	<u>34,399,134</u>
Net assets (debt)	350,201	(1,560,987)
Non-financial assets		
Tangible capital assets (note 14)	47,429,160	44,666,314
Prepaid expenses and inventory of supplies	427,426	526,616
	<u>47,856,586</u>	<u>45,192,930</u>
Contingent liabilities (note 17)		
Accumulated surplus (note 16)	\$ 48,206,787	\$ 43,631,943

See accompanying notes to consolidated financial statements.

Approved:


Chief


Chief Financial Officer

BATCHEWANA FIRST NATION

Consolidated Statement of Operations and Accumulated Surplus

Year ended March 31, 2023, with comparative information for 2022

	Budget (note 19)	2023	2022
Revenue:			
Indigenous Services Canada (note 18)	\$ 15,369,688	\$ 18,311,274	\$ 23,826,583
Province of Ontario	2,558,492	4,084,371	3,323,837
Government of Canada	2,230,341	1,509,034	3,020,770
Ontario First Nations Limited Partnership	1,200,000	1,267,081	894,055
North Shore Tribal Council	513,620	1,496,746	1,397,784
Band operated enterprises	3,611,474	3,676,638	961,919
Other	10,959,017	8,147,575	5,572,832
Government of Canada Trust Funds	-	28,914	17,166
	36,442,632	38,521,633	39,014,946
Expenses:			
Niigaanin	565,010	1,360,533	1,232,814
Government	1,863,934	1,349,270	1,407,956
Lands, Memberships and Estates	129,506	69,464	66,137
Elections	-	-	13,267
Community Services	1,264,044	1,971,249	1,358,301
Education	8,329,438	8,992,731	7,398,699
Child Day Care	868,267	863,195	807,305
Cultural Education Centre	-	1,573	15,728
Capital Projects	337,129	452,528	419,261
Other Subsidized Programs	2,508,712	2,580,542	2,530,846
Health	6,311,785	5,714,672	4,334,397
Employment and Training	457,864	474,853	747,039
Arena Operations	799,450	929,109	685,623
Band Operated Activities - Buildings	586,837	720,297	878,478
Band Operated Activities - CMHC	1,186,600	1,339,297	1,367,730
Bingo Operations	3,188,744	3,445,176	1,403,149
Other Band Activities	709,211	763,970	592,733
Renewable Energy Development	-	15,422	75,685
Other Band Activities - Natural Resources	1,116,513	1,083,221	633,207
Band Committees	25,000	22,916	12,554
Other Band Operated Enterprises	443,855	360,151	149,518
Batchewana First Nation Housing Authority Incorporated	152,850	227,051	345,836
Renewable Energy & Telecom Enterprises	1,121,273	1,932,456	8,261,608
	31,966,022	34,669,676	34,737,871
Excess of revenue over expenses before undernoted items	4,476,610	3,851,957	4,277,075
Share of earnings from First Nation business partnerships and enterprises (notes 5, 7, 8, 9, 10 and 11)	-	722,887	1,258,118
Excess of revenue over expenses	4,476,610	4,574,844	5,535,193
Accumulated surplus, beginning of year	43,631,943	43,631,943	38,096,750
Accumulated surplus, end of year	\$ 48,108,553	\$ 48,206,787	\$ 43,631,943

See accompanying notes to consolidated financial statements.

BATCHEWANA FIRST NATION

Consolidated Statement of Changes in Net Assets (Debt)

Year ended March 31, 2023, with comparative information for 2022

	Budget (note 19)	2023	2022
Excess of revenue over expenses	\$ 4,476,610	\$ 4,574,844	\$ 5,535,193
Acquisition of tangible capital assets	(2,855,000)	(4,740,741)	(13,692,344)
Amortization of tangible capital assets	-	1,977,895	1,562,940
Change in prepaid expenses and inventory of supplies	-	99,190	(382,551)
Change in net debt	1,621,610	1,911,188	(6,976,762)
Net (debt) assets, beginning of year	(1,560,987)	(1,560,987)	5,415,775
Net assets (debt), end of year	\$ 60,623	\$ 350,201	\$ (1,560,987)

See accompanying notes to consolidated financial statements.

BATCHEWANA FIRST NATION

Consolidated Statement of Cash Flows

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
Operating transactions:		
Excess of revenue over expenses	\$ 4,574,844	\$ 5,535,193
Adjustment for:		
Amortization of tangible capital assets	1,977,895	1,562,940
Expense portion of investment in Nodin Kitagan Limited Partnerships above book value	850,000	7,360,000
Share of operating profit from investment in Batchewana Band Industries Limited	(174,199)	(109,747)
Share of operating loss from investment in Mukwaa 2 Inc.	-	1,672
Share of operating profit from Chi-Wiikwedong LP	(763,354)	(1,090,179)
Share of operating profit from investment in GBG-BFN Limited Partnership	(18,937)	(17,504)
Share of operating profit from Zaagate Giizis Energy Inc.	(33,793)	(42,360)
Share of operating loss from Batchewana Telecom Holdings Inc.	267,396	-
	6,679,852	13,200,015
Changes in non-cash working capital:		
Decrease (increase) in accounts receivable	(269,625)	(2,795,031)
Decrease (increase) in prepaid expenses and inventory of supplies	99,190	(382,551)
Increase in accounts payable and accrued liabilities	239,118	608,595
Decrease in deferred revenue	(1,555,014)	(3,882,046)
	5,193,521	6,748,982
Capital transactions:		
Cash used to acquire tangible capital assets	(4,740,741)	(13,692,344)
Financing transactions:		
Decrease in term demand loans	(751,822)	(751,823)
Long-term debt advanced during year	61,084	-
Principal payments on long-term debt	(1,743,992)	(1,696,822)
	(2,434,730)	(2,448,645)
Investing transactions:		
Distributions from Chi-Wiikwedong LP	1,078,800	1,475,700
Distributions from Nodin Kitagan Limited Partnerships	-	365,000
Investment in Nodin Kitagan Limited Partnerships	(850,000)	(7,725,000)
Distributions from GBG-BFN Limited Partnership	71,400	51,000
Investment in Batchewana Telecom Holdings Inc.	-	(2,238,244)
Repayment of (investment and advances) in Zaagate Giizis Energy Inc.	(93,273)	92,847
Adjustment to consolidate former government business enterprise - Mukwaa 2 Inc. (note 6)	686,557	-
Increase in trust funds held by federal government	(28,915)	(17,166)
	864,569	(7,995,863)
Net decrease in cash	(1,117,381)	(17,387,870)
Cash, beginning of year	7,362,386	24,750,256
Cash, end of year	\$ 6,245,005	\$ 7,362,386
Represented by:		
Cash	\$ 5,124,377	\$ 5,682,233
Restricted cash	1,120,628	1,680,153
	\$ 6,245,005	\$ 7,362,386

See accompanying notes to consolidated financial statements.

BATCHEWANA FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2023

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, the business enterprise's accounting principles are not adjusted to conform with those of the First Nation and inter-organization transactions and balances are not eliminated.

Organizations consolidated include:

Batchewana First Nation Housing Authority Incorporated
Mukwaa Inc. – a bare trustee corporation
2419656 Ontario Inc. – a bare trustee corporation
Batchewana Telecom Holding Inc.
Mukwaa 2 Inc.
2425771 Ontario Inc.
6597982 Manitoba Ltd. – a bare trustee corporation

Organizations accounted for on a modified equity basis include:

Batchewana Band Industries Limited
Zaagate Giizis Energy Inc.
Batchewana Telecom Limited Partnership
2856385 Ontario Inc.

The First Nation has invested in limited partnerships through Mukwaa Inc., 2419656 Ontario Inc. and Batchewana Telecom Holding 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.

BATCHEWANA FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2023

1. Significant accounting policies (continued):

(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.

(d) Financial instruments:

All financial instruments are initially recorded on the consolidated statement of financial position at fair value.

All investments held in equity instruments that trade in an active market are recorded at fair value. Management has elected to record investments at fair value as they are managed and evaluated on a fair value basis. Freestanding derivative instruments that are not equity instruments that are quoted in an active market are subsequently measured at fair value.

Unrealized changes in fair value are recognized in the consolidated statement of remeasurement gains and losses until they are realized, when they are transferred to the consolidated statement of operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

Where a decline in fair value is determined to be other than temporary, the amount of the loss is removed from accumulated remeasurement gains and losses and recognized in the consolidated statement of operations. On sale, the amount held in accumulated remeasurement gains and losses associated with that instrument is removed from net assets and recognized in the consolidated statement of operations.

Financial instruments are classified into fair value hierarchy Levels 1, 2 or 3 for the purposes of describing the basis of the inputs used to determine the fair market value of those amounts recorded at fair value, as described below:

- | | |
|---------|---|
| Level 1 | Fair value measurements are those derived from quoted prices(unadjusted) in active markets for identical assets or liabilities |
| Level 2 | Fair value measurements are those derived from market-based inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly |
| Level 3 | Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data |

BATCHEWANA FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2023

1. Significant accounting policies (continued):

(e) 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.

(f) 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, 2023

1. Significant accounting policies (continued):

(g) 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.

(h) 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.

(i) 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.

(j) 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.

(k) Defined contribution pension plan:

The First Nation provides pension benefits under a defined contribution pension plan.

The cost of the defined contribution pension plan is recognized based on the contributions required to be made during each year.

BATCHEWANA FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2023

1. Significant accounting policies (continued):

(l) Asset retirement obligations:

The First Nation recognizes the fair value of an Asset Retirement Obligation ("ARO") when all of the following criteria have been met:

- There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

A liability for asset retirement obligations has not been recorded in these financial statements.

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

- The First Nation has an unrestricted operating line of credit of \$1,500,000 with Scotiabank. At March 31, 2023, there is an outstanding balance of \$Nil (2022 – \$Nil).
- The First Nation has an overdraft line of credit of \$50,000 with CIBC. At March 31, 2023, there is an outstanding balance of \$Nil (2022 – \$10,504). The line of credit is due on demand and has an interest rate of prime plus 1.5%.
- 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, 2023, there is an outstanding balance of \$Nil (2022 – \$Nil). The line of credit is due on demand and has an interest rate of prime plus 1%.
- 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, 2023, there is an outstanding balance of \$Nil (2022 – \$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(a)).

3. Restricted cash:

- Pursuant to a Bank of Montreal loan agreement (the "BMO Loan Agreement") (see note 15), 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:
 - 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, 2023

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 \$639,628 (2022 – \$622,785) 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, 2023, the First Nation is required to have set aside \$648,855 (2022 – \$545,219).

BATCHEWANA FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2023

4. Accounts receivable:

	2023	2022
Indigenous Services Canada	\$ 2,362,609	\$ 3,112,223
Province of Ontario	957,779	726,606
Government of Canada	759,934	757,607
North Shore Tribal Council	663,331	489,133
Aboriginal Labour Force Development Corporation	529,408	169,134
Ontario First Nation Limited Partnership	—	624,183
Other	2,831,787	1,868,660
	8,104,848	7,747,546
Less: allowance for doubtful accounts	(469,983)	(382,306)
	\$ 7,634,865	\$ 7,365,240

5. Investment – Batchewana Band Industries Limited:

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

	December 31, 2022	December 31, 2021
Retained earnings	\$ 1,947,967	\$ 1,773,768
Contributed surplus	15,600	15,600
	\$ 1,963,567	\$ 1,789,368

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

	December 31, 2022	December 31, 2021
Assets	\$ 3,947,907	\$ 3,718,870
Liabilities	1,984,340	1,929,502
Revenues	642,792	591,709
Net earnings for the year	174,199	109,747

BATCHEWANA FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2023

6. Investment – Mukwaa 2 Inc.:

Mukwaa 2 Inc. ("Mukwaa 2") is a wholly owned corporation of Batachewana First Nation. Mukwaa 2 was established to undertake economic development activities on behalf of the First Nation. During the year, Mukwaa 2 no longer met the definition of a government business enterprise, as it no longer sold goods and services to individuals and organizations outside of the First Nation as its principal activity and no longer maintained its operations or met its liabilities from revenues received from sources outside of the First Nation. Mukwaa 2 is now consolidated in the financial statements of the First Nation. The impact of the consolidated balances is summarized below:

	2023
Investment in Mukwaa 2 Inc.	\$ (686,557)
Cash	333,621
Accounts receivable	2,861
Tangible capital assets – land	350,075

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 Kitigan GP Corp. ("SNKGP") and Shongwish Nodin Kitigan 2 GP Corp. ("SNK2GP").

	2023	2022
Nodin Kitagan Limited Partnerships	\$ 2	\$ 2
Shongwish Nodin Kitigan General Partners	2	2
	\$ 4	\$ 4

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 Partnerships' share of the operating losses and distributions since inception.

BATCHEWANA FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2023

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

The investments at March 31, 2023 consist of the following:

	NKLP	NK2LP	2023	2022
Balance, beginning of year	\$ (4,539,967)	\$ (7,486,531)	\$ (12,026,498)	\$ (20,556,997)
Regular partner distributions	–	–	–	(365,000)
Partner contributions	850,000	–	850,000	7,725,000
First Nation's share of earnings	2,816,997	7,922,992	10,739,989	1,170,499
Balance, end of year	\$ (872,970)	\$ 436,461	\$ (436,509)	\$ (12,026,498)

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

	NKLP	NK2LP	2023	2022
Financial position				
Current assets	\$ 4,203,000	\$ 7,598,000	\$ 11,801,000	\$ 8,292,000
Non-current assets	74,728,000	131,219,000	205,947,000	200,275,000
Total assets	\$ 78,931,000	\$ 138,817,000	\$ 217,748,000	\$ 208,567,000
Current liabilities	\$ 6,198,000	\$ 12,522,000	\$ 18,720,000	\$ 18,137,000
Non-current liabilities	74,478,000	125,423,000	199,901,000	221,533,000
Total liabilities	\$ 80,676,000	\$ 137,945,000	\$ 218,621,000	\$ 239,670,000
Results of operations				
Revenue	\$ 7,411,000	\$ 15,977,000	\$ 23,388,000	\$ 21,739,000
Operating expenses	(2,314,000)	(4,635,000)	(6,949,000)	(6,141,000)
Other expenses	(7,343,000)	(8,735,000)	(16,078,000)	(27,285,000)
Net income (loss)	(2,246,000)	2,607,000	361,000	(11,687,000)
Items of other comprehensive income	7,880,000	13,239,000	21,119,000	14,028,000
Comprehensive income	\$ 5,634,000	\$ 15,846,000	\$ 21,480,000	\$ 2,341,000
Partner's equity (deficit)	\$ (1,745,000)	\$ 872,000	\$ (873,000)	\$ (31,103,000)

BATCHEWANA FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2023

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

Investments in General Partnership

The investments at March 31, 2023 consists of the following:

	SNKGP	SNK2GP	2023	2022
Number of common shares Class A	\$ 1	\$ 1	\$ 2	\$ 2
Cost of investment	\$ 1	\$ 1	\$ 2	\$ 2

In 2022, one of the wind turbines was severely damaged and resulted in the Bow Lake Wind Facility to be partially shut down while repairs and maintenance procedures were performed. As of the date of these statements, the full financial impact of this incident on future cash flows is still being assessed and cannot be reasonably estimated at this time.

Subsequent event

Subsequent to year end, the First Nation contributed an addition \$2,200,000 to Nodin Kitagan Limited Partnerships. The full amount of this contribution was recorded as an expense in the fiscal 2024 year since investment in partnerships have been reduced to nominal value of \$4 after reflecting the Partnerships' share of the operating losses and distributions since inception.

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 \$1,078,800 (2022 – \$1,475,700) of which included income in the amount of \$763,354 (2022 – \$1,090,179).

BATCHEWANA FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2023

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.

	2023	2022
GBG-BFN Limited Partnership	\$ 275,502	\$ 327,965

GBG-BFN Limited Partnership

The investment at March 31, 2023 consists of the following:

	2023	2022
Balance, beginning of year	\$ 327,965	\$ 361,461
Partner distributions	(71,400)	(51,000)
First Nation's share of earnings	18,937	17,504
Balance, end of year	\$ 275,502	\$ 327,965

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

	2023	2022
Financial position		
Total assets	\$ 771,932	\$ 801,180
Total liabilities	(231,779)	(158,158)
Partner's equity	\$ 540,153	\$ 643,022

	2023	2022
Results of operations		
Revenue	\$ 108,837	\$ 113,750
Expenses	(71,706)	(79,429)
Net income	\$ 37,131	\$ 34,321

BATCHEWANA FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2023

10. Investment and advances – Zaagate Giizis Energy Inc.:

The investment in Zaagate Giizis Energy Inc. ("ZGEI") is comprised of a 100% equity interest. ZGEI constructed, operates and manages on reserve rooftop and ground mount solar electrical generating projects.

The First Nation has advanced a loan to ZGEI that bears interest at 4% and is repayable over 15 years.

	2023	2022
Zaagate Giizis Energy Inc. (100 common shares)	\$ 100	\$ 100
Purchase premium	315,841	340,136
Advances to Zaagate Giizis Energy Inc.	1,546,254	1,391,955
Loan receivable from Zaagate Giizis Energy Inc.	992,119	1,053,145
Share of ZGEI's retained earnings	230,903	172,815
	<u>\$ 3,085,217</u>	<u>\$ 2,958,151</u>

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

	2023	2022
Financial position		
Total assets	\$ 2,769,817	\$ 2,741,025
Total liabilities	2,538,814	2,568,110
Revenue	315,542	306,097
Net earnings for the year	58,088	42,360

During the year, \$24,295 (2022 - \$24,295) of the purchase premium was amortized and recorded as a reduction of the share of ZGEI's income for the year.

11. Investment – Batchewana Telecom Holding Inc.:

The First Nation has invested through Batchewana Telecom Holding Inc., a bare trustee corporation, a 51% equity share of Batchewana Telecom Limited Partnership ("Opco") and 49% equity interest in 2856357 Ontario Inc. ("Assetco") for the purpose of providing telecom services to rural areas that are currently underserved for internet connectivity. In addition, Batchewana Telecom Holding Inc. has a 1% equity interest in the related general partner, Batchewana Telecom GP Inc. The tangible capital assets of the partnership are held by 2856357 Ontario Inc. and are leased to Batchewana Telecom Limited Partnership. Lease payments are based on the number of customers.

BATCHEWANA FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2023

11. Investment – Batchewana Telecom Holding Inc. (continued):

	2023	2022
Batchewana Telecom Holding Inc.	\$ 275,780	\$ 275,780
Batchewana Telecom Limited Partnership	21,352	175,950
2856385 Ontario Inc.	1,673,715	1,786,513
Batchewana Telecom GP Inc.	1	1
	\$ 1,970,848	\$ 2,238,244

Financial information for Batchewana Telecom Holding Inc. for its March 31 fiscal year reflected herein is as follows:

	2023	2022
Financial position		
Total assets	\$ 275,780	\$ 275,780
Total liabilities	—	—
Revenue	—	—
Net earnings for the year	—	—

Investment in Limited Partnership

The investment in the partnership is measured using the modified equity method.

The investments at March 31, 2023 consist of the following:

	2023	2022
Balance, beginning of year	\$ 175,950	\$ —
Partner contributions	—	175,950
First Nation's share of loss	(154,598)	—
Balance, end of year	\$ 21,352	\$ 175,950

Financial information for Batchewana Telecom Limited Partnership is for its March 31 fiscal year reflected herein is as follows:

	2023	2022
Financial position		
Total assets	\$ 442,321	\$ 345,001
Total liabilities	400,453	—
Partner's equity	\$ 41,868	\$ 345,001

BATCHEWANA FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2023

11. Investment – Batchewana Telecom Holding Inc. (continued):

	2023	2022
Results of operations		
Revenue	\$ –	\$ –
Expenses	(303,133)	–
Net loss	\$ (303,133)	\$ –

Investment in 2856385 Ontario Inc.

The investment in 2856385 Ontario Inc. is measured using the modified equity method.

The investments at March 31, 2023 consist of the following:

	2023	2022
Balance, beginning of year	\$ 1,786,513	\$ –
Partner contributions	–	1,786,513
First Nation's share of loss	(112,798)	–
Balance, end of year	\$ 1,673,715	\$ 1,786,513

Financial information for 2856385 Ontario Inc. non-coterminous December 31 fiscal period reflected herein is as follows:

	2023	2022
Financial position		
Total assets	\$ 3,415,744	\$ 3,645,945
Total liabilities	–	–
Shareholder's equity	\$ 3,415,744	\$ 3,645,945

	2023	2022
Results of operations		
Revenue	\$ –	\$ –
Expenses	(230,201)	–
Net loss	\$ (230,201)	\$ –

BATCHEWANA FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2023

11. Investment – Batchewana Telecom Holding Inc. (continued):

Investments in General Partnership

The investments at March 31, 2023 in Batchewana Telecom GP Inc. consists of the following:

	2023	2022
Number of common shares Class A	\$ 1	\$ 1
Cost of investment	\$ 1	\$ 1

12. Deferred revenue:

Deferred revenue is broken down by program as follows:

	March 31, 2022	Funding received	Revenue recognized	March 31, 2023
Indigenous Services Canada	\$ 7,857,717	\$ 7,697,227	\$ (8,211,032)	\$ 7,343,912
Province of Ontario	731,054	25,200	(731,055)	25,199
Government of Canada	233,000	—	(233,000)	—
Other	862,734	637,506	(739,860)	760,380
Balance, end of year	\$ 9,684,505	\$ 8,359,933	\$ (9,914,947)	\$ 8,129,491

BATCHEWANA FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2023

13. Term demand loans:

	Operating	Investing	2023	2022
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 December 2024	\$ 141,082	\$ 3,523,450	\$ 3,664,532	\$ 4,207,426
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 2024	–	1,462,500	1,462,500	1,671,428
	\$ 141,082	\$ 4,985,950	\$ 5,127,032	\$ 5,878,854

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 \$321,980 (2022 – \$248,913).

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

	Operating	Investing	Total
2024	\$ 20,901	\$ 730,922	\$ 751,823
2025	20,901	730,922	751,823
2026	20,901	730,922	751,823
2027	20,901	730,922	751,823
2028	20,901	730,922	751,823
Thereafter	36,577	1,331,340	1,367,917
	\$ 141,082	\$ 4,985,950	\$ 5,127,032

BATCHEWANA FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2023

14. Tangible capital assets:

Cost	Balance at March 31, 2022	Additions	Disposals and transfers	Balance at March 31, 2023
Land	\$ 783,001	\$ 350,075	\$ -	\$ 1,133,076
Land improvements	516,211	-	-	516,211
Buildings	19,636,250	13,946,565	-	33,582,815
Housing	15,200,590	-	-	15,200,590
Infrastructure	11,242,413	23,900	-	11,266,313
Machinery and equipment	1,370,238	-	-	1,370,238
Vehicles	966,620	275,267	-	1,241,887
Furniture and equipment	1,108,353	234,575	-	1,342,928
Construction in progress	16,013,500	3,185,198	(13,274,839)	5,923,859
Total	\$ 66,837,176	\$ 18,015,580	\$ (13,274,839)	\$ 71,577,917

Accumulated Amortization	Balance at March 31, 2022	Disposals	Amortization	Balance at March 31, 2023
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	220,681	-	25,811	246,492
Buildings	8,095,710	-	839,570	8,935,280
Housing	5,689,708	-	458,328	6,148,036
Infrastructure	6,154,945	-	325,319	6,480,264
Machinery and equipment	776,084	-	96,598	872,682
Vehicles	418,114	-	105,449	523,563
Furniture and equipment	815,620	-	126,820	942,440
Total	\$ 22,170,862	\$ -	\$ 1,977,895	\$ 24,148,757

	Net book value, March 31, 2022	Net book value, March 31, 2023
Land	\$ 783,001	\$ 1,133,076
Land improvements	295,530	269,719
Buildings	11,540,540	24,647,535
Housing	9,510,882	9,052,554
Infrastructure	5,087,468	4,786,049
Machinery and equipment	594,154	497,556
Vehicles	548,506	718,324
Furniture and equipment	292,733	400,488
Construction in progress	16,013,500	5,923,859
Total	\$ 44,666,314	\$ 47,429,160

BATCHEWANA FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2023

14. Tangible capital assets (continued):

Cost	Balance at March 31, 2021	Additions	Disposals and transfers	Balance at March 31, 2022
Land	\$ 783,001	\$ -	\$ -	\$ 783,001
Land improvements	372,235	143,976	-	516,211
Buildings	19,539,255	96,995	-	19,636,250
Housing	15,200,590	-	-	15,200,590
Infrastructure	10,969,444	272,969	-	11,242,413
Machinery and equipment	1,370,238	-	-	1,370,238
Vehicles	727,225	239,395	-	966,620
Furniture and equipment	881,252	227,101	-	1,108,353
Construction in progress	3,301,592	12,711,908	-	16,013,500
Total	\$ 53,144,832	\$ 13,692,344	\$ -	\$ 66,837,176

Accumulated Amortization	Balance at March 31, 2021	Disposals	Amortization	Balance at March 31, 2022
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	194,870	-	25,811	220,681
Buildings	7,604,804	-	490,906	8,095,710
Housing	5,231,380	-	458,328	5,689,708
Infrastructure	5,822,602	-	332,343	6,154,945
Machinery and equipment	679,486	-	96,598	776,084
Vehicles	340,192	-	77,922	418,114
Furniture and equipment	734,588	-	81,032	815,620
Total	\$ 20,607,922	\$ -	\$ 1,562,940	\$ 22,170,862

	Net book value, March 31, 2021	Net book value, March 31, 2022
Land	\$ 783,001	\$ 783,001
Land improvements	177,365	295,530
Buildings	11,934,451	11,540,540
Housing	9,969,210	9,510,882
Infrastructure	5,146,842	5,087,468
Machinery and equipment	690,752	594,154
Vehicles	387,033	548,506
Furniture and equipment	146,664	292,733
Construction in progress	3,301,592	16,013,500
Total	\$ 32,536,910	\$ 44,666,314

BATCHEWANA FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2023

15. Long-term debt:

CMHC Project	Renewal Date	Monthly Payment	Interest Rate	2023	2022
Senior's complex	Oct. 1, 2027	\$ 4,136	3.55%	\$ 382,288	\$ 420,275
16-135-543-002	Mar. 1, 2024	4,059	2.14%	266,951	309,473
16-135-543-003	Mar. 1, 2026	3,335	0.96%	283,292	320,403
16-135-543-004	Mar. 1, 2026	5,241	0.96%	445,157	503,472
16-135-543-005	Apr. 1, 2024	4,867	1.86%	335,750	387,410
16-135-543-006	May 1, 2027	10,012	3.06%	960,110	1,050,950
16-135-543-007	May 1, 2027	5,944	3.06%	569,999	623,930
16-135-543-008	May 1, 2023	3,338	2.49%	359,723	390,455
16-135-543-009	Oct. 1, 2023	6,889	2.68%	756,306	817,912
16-135-543-010	May 1, 2026	1,235	1.22%	95,952	109,509
16-135-543-011	May 1, 2026	4,000	1.21%	583,738	624,368
16-135-543-012	Oct. 1, 2027	5,775	3.55%	979,235	955,690
16-135-543-013	June 1, 2023	7,391	2.50%	1,250,430	1,303,341
CMHC subtotal				7,268,931	7,817,188
All CMHC loans and advances are secured by Ministerial guarantees.					
Royal Bank, term loan, repayable \$14,233 monthly including interest at 6.09%, renewable November 2025				357,278	510,305
Royal Bank, term loan, repayable \$16,854 monthly including interest at 6.09%, renewable November 2026				633,280	804,067
Brant Tractor, term loan, repayable \$4,760 monthly including interest at 3.99%, maturing November 2027				140,049	190,536
Operating loans subtotal				8,399,538	9,322,096
Bank of Montreal, term loan, repayable at \$155,198 to \$254,528 quarterly including interest at 3.95% maturing February 2030 (a)				5,280,331	6,040,681
Investing loans subtotal				5,280,331	6,040,681
				\$ 13,679,869	\$ 15,362,777

Interest expense incurred during the year on long term debt was \$478,738 (2022 – \$449,167).

BATCHEWANA FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2023

15. Long-term debt (continued):

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

	Operating	Investing	Total
2024	\$ 990,189	\$ 757,813	\$ 1,748,002
2025	1,026,718	763,011	1,789,729
2026	908,751	776,109	1,684,860
2027	755,081	763,505	1,518,586
2028	675,736	741,385	1,417,121
Thereafter	4,043,063	1,478,508	5,521,571
	\$ 8,399,538	\$ 5,280,331	\$ 13,679,869

(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.

16. Accumulated surplus:

Accumulated surplus is comprised of the following:

	2023	2022
Reserves	\$ 15,148,006	\$ 14,384,250
Equity in tangible capital assets	39,029,622	35,344,219
Renewable Energy & Telecom Enterprises surplus	4,345,580	3,362,548
Members' deficit	(10,859,832)	(9,973,570)
Funds held in trust	543,411	514,496
	\$ 48,206,787	\$ 43,631,943

Allocation of annual surplus:

	2023	2022
Reserves	\$ 763,756	\$ (442,489)
Equity in tangible capital assets	3,685,403	13,074,442
Operations	1,839,484	(112,108)
Renewable Energy & Telecom Enterprises	(1,383,768)	(7,111,565)
Funds held in trust	28,915	17,166
	\$ 4,574,844	\$ 5,535,193

BATCHEWANA FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2023

17. 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, 2023, the First Nation has guaranteed loans with remaining principal balances of \$1,478,474 (2022 – \$1,600,254).
- (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, 2023, the First Nation has guaranteed loans with remaining principal balances of \$693,056 (2022 – \$529,233).
- (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 \$1,242,500. As of March 31, 2023, its proportional outstanding loan balance as part of the Trust is \$877,203 (2022 – \$877,203).

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 \$495,000 in favour of the Bank of Montreal on behalf of Batchewana Band Industries Limited (BBI). As of March 31, 2023, BBI had drawn \$487,414 (2022 - \$362,421) on this loan with Bank of Montreal.
- (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.

18. Indigenous Services Canada revenue:

	2023	2022
Revenue per confirmation	\$ 16,687,154	\$ 21,901,688
ISC funding deferred in prior year	1,821,375	3,567,669
ISC funding receivable in prior year	(154,100)	(54,993)
ISC funding receivable in current year	1,364,415	233,594
ISC funding payable in current year	(100,000)	–
ISC funding deferred in current year	(1,307,570)	(1,821,375)
	<u>\$ 18,311,274</u>	<u>\$ 23,826,583</u>

BATCHEWANA FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2023

19. Budget:

The operating budget approved by the First Nation for 2023 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, acquisition of tangible capital assets and principal payments on long-term 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:

Budgeted surplus for the year:	\$	867,288
Adjustments to adopted budget:		
Acquisition of tangible capital assets		2,855,000
Principal payments on long-term debt		443,000
Reserves transfers and other		311,322
Budgeted surplus per statements of operations	\$	4,476,610

20. Defined contribution pension plan:

The contributions to the defined contribution pension plan were \$913,221 (2022 - \$837,266). There have been no significant changes to the defined contribution plan during the period.

21. 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.

22. Financial risks and concentration of risks:

a) Interest rate risk:

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of debt instruments because of changes in market interest rates. The First Nation is exposed to this risk through its long-term debt. The First Nation monitors interest rate risk on a continuing basis.

b) Credit risk:

Credit risk arises from the potential that a counter party will fail to perform its obligations. The First Nation is exposed to credit risk from customers and tenants. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The First Nation has a significant number of customers and tenants which minimizes concentration of credit risk.

BATCHEWANA FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2023

22. Financial risks and concentration of risks (continued):

c) Liquidity risk:

Liquidity risk is the risk that the First Nation cannot repay its obligations when they become due to its creditors. The First Nation is exposed to this risk relating to its accounts payable and accrued liabilities and long-term debt.

The First Nation reduces its exposure to liquidity risk by monitoring cash activities and expected outflow through extensive budgeting and maintaining enough cash and credit facilities available to repay creditors as they become due. In the opinion of management the liquidity risk exposure to the First Nation is low.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

23. Change in accounting policies:

On April 1, 2022, the First Nation adopted the Public Accounting Standard PS 3280 – Asset Retirement Obligations. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in facilities. The standard was adopted on the modified retrospective basis at the date of adoption. Under the modified retrospective method, the assumptions used on initial recognition are those as of the date of adoption of the standard.

In accordance with the provisions of this new standard, the First Nation completed an analysis of all facilities, capital assets and lease agreements and determined there was no asset retirement obligations that existed as of April 1, 2022.

24. 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:

Niigaanin

The Niigannin 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, 2023

24. 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.

Community Services

The community services 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.

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 24 - Segmented Information (continued)

Year ended March 31, 2023

	Niigaanin	Government	Community Services	Education	Capital	Medical and Other Health Services	Enterprises	Other Services	2023 Total
Revenue	\$ 1,371,474	1,133,732	1,206,267	9,586,990	2,683,615	6,529,825	3,728,032	12,271,698	\$ 38,521,633
Expenses:									
Salaries and benefits	214,663	2,111,793	490,438	2,047,872	-	2,356,860	941,185	3,258,723	11,421,534
Materials, supplies and capital	16,230	267,310	313,808	569,633	250,635	1,295,356	252,530	1,337,877	4,303,379
Contracted services	-	419,755	331,117	72,946	148,908	662,832	513,934	728,983	2,878,475
Rents and financial expenses	36,633	40,499	9,699	-	1,339	36,584	603,650	262,112	990,516
External transfers and other	1,091,655	(1,542,320)	124,193	6,283,903	51,646	1,164,807	3,860,308	2,063,685	13,097,877
Amortization of tangible capital assets	1,352	52,233	701,994	18,377	-	198,233	150,556	855,150	1,977,895
	1,360,533	1,349,270	1,971,249	8,992,731	452,528	5,714,672	6,322,163	8,506,530	34,669,676
Excess (deficiency) of revenue over expenses	\$ 10,941	(215,538)	(764,982)	604,259	2,231,087	815,153	(2,594,131)	3,765,168	\$ 3,851,957

BATCHEWANA FIRST NATION

Note 24 - Segmented Information (continued)

Year ended March 31, 2023

	Niigaanin	Government	Community Services	Education	Capital	Medical and Other Health Services	Enterprises	Other Services	2022 Total
Revenue	\$ 1,300,604	1,465,632	847,953	7,585,412	13,278,969	4,525,224	1,114,082	8,897,070	\$ 39,014,946
Expenses:									
Salaries and benefits	222,093	2,071,160	274,022	1,581,819	65,235	2,184,664	631,618	3,083,425	10,114,036
Materials, supplies and capital	12,062	152,176	227,192	319,167	171,020	609,936	213,192	1,291,789	2,996,534
Contracted services	-	319,906	322,271	1,107	57,815	502,838	466,581	572,053	2,242,571
Rents and financial expenses	18,538	39,560	63,828	1,418	377	53,302	528,727	274,585	980,335
External transfers and other	978,769	(1,205,460)	99,591	5,476,811	124,814	814,746	8,436,045	2,116,142	16,841,458
Amortization of tangible capital assets	1,352	30,614	371,397	18,377	-	168,911	149,902	822,384	1,562,937
	1,232,814	1,407,956	1,358,301	7,398,699	419,261	4,334,397	10,426,065	8,160,378	34,737,871
Excess (deficiency) of revenue over expenses	\$ 67,790	57,676	(510,348)	186,713	12,859,708	190,827	(9,311,983)	736,692	\$ 4,277,075