

LENNOX ISLAND FIRST NATION  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
MARCH 31, 2021

	2021	2020
<b>Financial Assets</b>		
Cash (Note 7)	\$ 3,684,489	\$ 2,239,767
Restricted cash, CMHC replacement reserve	258,028	232,028
Accounts receivable (Note 5)	2,737,567	1,541,968
Due from Minigoo Fisheries Inc.	1,902,439	1,902,439
Trust funds held by federal government (Note 6)	88,386	86,707
Inventory (Note 3)	14,009	14,009
	<u>8,684,918</u>	<u>6,016,918</u>
<b>Liabilities</b>		
Accounts payable (Note 8)	956,628	429,480
Deferred revenue (Note 9)	4,527,828	3,438,450
Investment in Minigoo Fisheries Inc. (Note 4)	1,799,843	1,759,026
Long-term debt (Note 10)	5,210,032	4,598,563
	<u>12,494,331</u>	<u>10,225,519</u>
<b>Net debt</b>	<b>(3,809,413)</b>	<b>(4,208,601)</b>
<b>Non-financial Assets</b>		
Tangible capital assets (Note 11)	27,252,389	25,989,708
Prepaid expenses (Note 12)	164,607	153,900
	<u>27,416,996</u>	<u>26,143,608</u>
<b>Accumulated Surplus</b>	<b>\$ 23,607,583</b>	<b>\$ 21,935,007</b>

Approved on behalf of the Lennox Island First Nation

  
 Chief  
  
 Councillor  
  
 Councillor  
  
 Councillor

The accompanying notes are an integral part of the financial statements

LENNOX ISLAND FIRST NATION

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

FOR THE YEAR ENDED MARCH 31, 2021

	<b>2021 Budget</b>	<b>2021 Actual</b>	<b>2020 Actual</b>
<b>Surplus/(Deficit)</b>	<b>\$ (222,659)</b>	<b>\$ 1,672,576</b>	<b>\$ 2,555,153</b>
Acquisition of tangible capital assets	-	(2,369,596)	(2,828,761)
Amortization of tangible capital assets	1,135,390	1,106,915	1,193,428
	<b>1,135,390</b>	<b>(1,262,681)</b>	<b>(1,635,333)</b>
(Increase) decrease in prepaid expenses	-	(10,707)	78,259
Increase/(decrease) in net financial assets	912,731	399,188	998,079
Net debt at beginning of year	(4,208,601)	(4,208,601)	(5,206,680)
<b>Net debt at end of year</b>	<b>\$ (3,295,870)</b>	<b>\$ (3,809,413)</b>	<b>\$ (4,208,601)</b>

The accompanying notes are an integral part of the financial statements

**LENNOX ISLAND FIRST NATION**

**CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS**

**FOR THE YEAR ENDED MARCH 31, 2021**

	<b>2021 Budget</b>	<b>2021 Actual</b>	2020 Actual
<b>Revenue</b>			
Indigenous Services Canada	\$ 4,666,242	\$ 7,055,547	\$ 6,716,656
Health Canada	2,960,953	3,261,595	2,960,953
Economic Development	960,053	1,765,169	1,319,118
Department of Fisheries and Oceans	270,000	1,333,362	271,538
Canada Mortgage and Housing Corporation	73,628	79,602	112,650
Commercial fisheries	1,800,000	2,874,129	2,422,137
Deferred revenue, opening	1,583,396	2,558,643	2,935,626
Deferred revenue, closing	-	(4,427,828)	(2,558,643)
Other	874,990	4,420,378	3,419,447
	<b>13,189,262</b>	<b>18,920,597</b>	17,599,482
<b>Expenditures</b>			
Social development	1,406,403	1,776,087	1,755,623
Education	1,627,801	2,004,913	1,776,751
Economic development	2,772,226	4,451,472	3,578,114
Band management	648,900	1,536,982	959,658
Capital	752,938	696,108	273,322
Capital facilities operating and maintenance	1,824,153	1,005,329	1,631,411
Membership	10,962	16,500	16,410
Health	3,507,398	4,195,367	3,498,658
Cultural program	215,000	344,642	233,704
Rental program	85,750	72,889	71,984
	<b>12,851,531</b>	<b>16,100,289</b>	13,795,635
<b>Surplus before other income</b>	<b>337,731</b>	<b>2,820,308</b>	3,803,847
<b>Other income</b>			
Equity (loss) of Minigoo Fisheries Inc.	(50,000)	(40,817)	(55,266)
Amortization	(1,135,390)	(1,106,915)	(1,193,428)
	<b>(1,185,390)</b>	<b>(1,147,732)</b>	<b>(1,248,694)</b>
<b>Surplus</b>	<b>(847,659)</b>	<b>1,672,576</b>	<b>2,555,153</b>
<b>Accumulated surplus at beginning of year</b>	<b>21,935,007</b>	<b>21,935,007</b>	19,379,854
<b>Accumulated surplus at end of year</b>	<b>\$ 21,087,348</b>	<b>\$ 23,607,583</b>	<b>\$ 21,935,007</b>

The accompanying notes are an integral part of the financial statements

LENNOX ISLAND FIRST NATION

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2021

	2021	2020
<b>Cash flows from Operating activities</b>		
Surplus	\$ 1,672,576	\$ 2,555,153
Items not affecting cash		
Amortization	<u>1,106,915</u>	<u>1,193,428</u>
	<u>2,779,491</u>	<u>3,748,581</u>
Change in non-cash operating working capital		
Accounts receivable	(1,195,599)	1,571,485
Inventory	-	(183)
Prepaid expenses	(10,707)	78,258
Trust funds held by federal government	(1,679)	(1,669)
Accounts payable	527,148	(518,194)
Deferred revenue	<u>1,089,378</u>	<u>(294,151)</u>
Investment in Minigoo Fisheries Inc.	40,817	55,266
Funding repayable to ISC	-	(44,781)
	<u>3,228,849</u>	<u>4,594,612</u>
<b>Capital activities</b>		
Acquisition of tangible capital assets	<u>(2,369,596)</u>	<u>(2,828,760)</u>
<b>Financing activities</b>		
Advances to Minigoo Fisheries Inc.	-	(216,000)
Repayment of long-term debt	(383,531)	(835,310)
Proceeds of long-term debt	995,000	976,000
	<u>611,469</u>	<u>(75,310)</u>
<b>Increase in cash and cash equivalents</b>	<b>1,470,722</b>	<b>1,690,542</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>2,471,795</b>	<b>781,253</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 3,942,517</b>	<b>\$ 2,471,795</b>
<b>Represented by</b>		
Cash	\$ 3,684,489	\$ 2,239,767
Restricted cash	<u>258,028</u>	<u>232,028</u>
	<u>\$ 3,942,517</u>	<u>\$ 2,471,795</u>

The accompanying notes are an integral part of the financial statements

LENNOX ISLAND FIRST NATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2021

**1. Reporting entity**

The consolidated financial statements of Lennox Island First Nation reflect the assets, liabilities, revenues, expenditures, changes in net debt and accumulated surplus of the reporting entity. The reporting entity is comprised of the organizations accountable for the administration of their affairs and resources to the Chief and Council or controlled by the band. Inter-fund and inter-corporate balances and transactions have been eliminated. The entities included in the consolidated financial statements are as follows:

Fisherman's Pride Inc.  
Lennox Island Development Corporation  
Minigoo Fisheries Inc.

**2. Basis of Presentation and Significant Accounting Policies**

These financial statements are prepared in accordance with Canadian public sector accounting standards for governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

**(a) Cash**

Cash and cash equivalents include cash on hand, balances with banks net of bank overdrafts and term deposits having a maturity of one year or less at acquisition which are held for the purpose of meeting short-term cash commitments.

**(b) Principles of Consolidation**

All controlled entities are fully consolidated on a line-by-line basis except for Minigoo Fisheries Inc. which meets the definition of government business enterprise. This enterprise is included in the consolidated financial statements on a modified equity basis.

**Consolidation Method**

This method combines the accounts of distinct organizations. It requires uniform accounting policies for the organizations. Inter-organizational balances and transactions are eliminated under this method. This method reports the organizations as if they were one organization.

**Modified Equity Method**

This method is used for commercial enterprises which meet the definition of government business enterprises. The modified equity method reports a commercial enterprise's net assets as an investment on the Consolidated Statement of Financial Position. The net income of the commercial enterprises is reported as equity earnings (loss) on the Consolidated Statement of Operations. Inter-organizational transactions and balances are not eliminated. All gains or losses arising from inter-organizational transactions between commercial enterprises or other First Nation organizations are eliminated.

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**LENNOX ISLAND FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2021**

**2. Basis of Presentation and Significant Accounting Policies (continued)**

**(c) Net Debt**

The First Nation's financial statements are presented so as to highlight net debt as the measurement of financial position. The net debt of the First Nation is determined by its liabilities less its financial assets. Net debt is comprised of two components, non-financial assets and accumulated surplus.

**(d) Tangible capital assets**

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset.

Leases that transfer substantially all the benefits and risks of ownership to the lessee are recorded as capital leases. Accordingly, at the inception of the leases, the tangible capital asset and related lease obligations are recorded at an amount equal to the present value of future lease payments discounted at the lower of the interest rate inherent in the lease contracts and Lennox Island First Nation's incremental cost of borrowing.

Amortization is provided for on a straight-line basis over their estimated useful lives as follows:

Housing & buildings	40 years
Vehicles	5 years
Computer equipment	5 years
Furniture & fixtures	5 years
Equipment	10 years
Water & sewer	40 years
Roads/paving	75 years
Fishing boats	10 years
Motor equipment	20 years

Tangible capital assets are written down when conditions indicate that they no longer contribute to Lennox Island First Nation's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the consolidated statement of operations.

Contributed capital assets are recorded into revenues at their fair value on the date of donation, except in circumstances where fair value cannot be reasonably determined, in which case they are recognized at nominal value. Transfers of capital assets from related parties are recorded at carrying value.

Certain assets which have historical or cultural value, including works of art, historical documents and historical and cultural artifacts, are not recognized as tangible capital assets. Assets under construction are not amortized until the asset is available to be put into service.

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## LENNOX ISLAND FIRST NATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2021

#### **2. Basis of Presentation and Significant Accounting Policies (continued)**

##### **(e) Revenue recognition**

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

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 from other sources are deferred when restrictions are placed on their use by the 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.

##### **(f) Use of estimates**

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically and are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

##### **(g) Asset classification**

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations. Non-financial assets are acquired, constructed or developed assets that do not provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale. Non-financial assets include tangible capital assets, prepaid expenses and inventories of supplies.

##### **(h) Segment disclosure**

The financial statements of Lennox Island First Nation provide supporting schedules which are established by program based on government funding provided. The various programs have been amalgamated for the purpose of presentation in the consolidated financial statements. Details of the operations of each program are set out in the supplementary schedules for management information purposes.

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**LENNOX ISLAND FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2021**

**2. Basis of Presentation and Significant Accounting Policies (continued)**

**(i) Financial instruments**

The First Nation's financial instruments consist of cash, accounts receivable, bank indebtedness, accounts payable and long-term debt.

The First Nation's exposure to interest rate fluctuations is with respect to the portion of its long term debt and operating line of credit which bear interest at floating rates. The floating rate debt is subject to interest rate cash flow risk, as the required cash flows to service the debt will fluctuate as a result of changes in market rates. Management is of the opinion that the First Nation is not exposed to currency risk or credit risk. Credit risk exists to the extent that the First Nation would be unable to enforce collection of any accounts receivable.

**(j) Intangible assets**

Intangible assets including fishing licenses are expensed when acquired in accordance with PSAB guidelines.

**3. Inventory**

	<b>2021</b>	<b>2020</b>
Inventory - tobacco products	\$ 14,009	\$ 14,009

**LENNOX ISLAND FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2021**

**4. Investment in Government Business Enterprises**

Lennox Island First Nation's investment in government business enterprises consist of the following:

- ◆ Minigoo Fisheries Inc.

	<b>2021 Total</b>
Tangible capital assets	<u>\$ 102,695</u>

Due to Lennox Island First Nation	<u>\$ 1,902,439</u>
Total liabilities	<u>1,902,439</u>
Equity	<u>(1,799,744)</u>
Total equity	<u>(1,799,744)</u>
Total liabilities and equity	<u>\$ 102,695</u>

	<b>2021 Total</b>
Amortization	<u>\$ 40,817</u>
Total expenses	<u>40,817</u>
Net income	<u>\$ (40,817)</u>

**LENNOX ISLAND FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2021**

**5. Accounts receivable**

	<b>2021</b>	2020
Indigenous Services Canada	\$ 410,000	\$ 251,733
HST rebate and Other	192,298	101,880
Province of Prince Edward Island	84,034	48,223
Department of Fisheries & Oceans	820,065	106,957
Fisherman's Pride receivables	103,490	50,517
Band members rental program	273,689	252,794
MCPEI	448,224	437,286
Health Canada	-	29,819
Lennox Island Development receivables	147,131	187,733
Health program	2,460	46,012
CMHC	-	13,363
Wharf project	206,814	-
Cultural program	49,362	15,651
	<b>\$ 2,737,567</b>	<b>\$ 1,541,968</b>

**6. Trust funds held by Federal Government**

	March 31, 2020	Additions (interest and permit fees)		March 31, 2021
Revenue	\$ 84,163	\$ 1,679	\$ -	\$ 85,842
Capital	2,544	-	-	2,544
	<b>\$ 86,707</b>	<b>\$ 1,679</b>	<b>\$ -</b>	<b>\$ 88,386</b>

**7. Cash**

	<b>2021</b>	2020
Term deposit GIC's	\$ 800,000	\$ -
Net bank balances	2,064,489	1,839,767
Membership and benefits account	820,000	400,000
	<b>\$ 3,684,489</b>	<b>\$ 2,239,767</b>

**LENNOX ISLAND FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2021**

**8. Accounts payable**

	<b>2021</b>	2020
Trade	\$ 588,856	\$ 164,411
Public Schools Branch	40,442	39,439
Pension plan remittance	35,813	29,770
Fisheries programs	112,741	16,923
Health programs	45,481	19,132
Lennox Island Dev Corp payables	89,583	109,499
Payroll deductions payable to CRA	-	11,917
Vacation pay	12,942	8,292
Employee savings	30,770	30,097
	<b>\$ 956,628</b>	<b>\$ 429,480</b>

Remittances for band employee benefits are current as of March 31, 2021.

**9. Deferred revenue**

	<b>2021</b>	2020
Province of PEI - Ec.dev.funding	\$ 100,000	\$ 100,000
Health programs	919,798	524,125
Cultural programs	68,474	30,000
Development corp	-	106,831
CMHC new homes	1,391,850	-
Fisherman's Pride	471,280	642,976
ISC - school upgrades/warming centre	-	128,938
ISC - post secondary	86,838	-
ISC - firehall design and construction	849,181	1,643,275
ISC - renovations	-	50,000
ISC - social Covid	109,980	-
ISC - construction	50,000	150,000
ISC - lot servicing and subdivision development	179,710	25,000
ISC - women's shelter	24,644	37,305
ISC - Covid daycare building	17,688	-
ISC - Covid EMAP	88,749	-
ISC - Pre-employment supports	151,359	-
ISC - Fire hall	18,277	-
	<b>\$ 4,527,828</b>	<b>\$ 3,438,450</b>

These amounts represent unexpended funds under contribution agreements and therefore may be subject to repayment to the funding source if not used in accordance with the funding terms and conditions.

LENNOX ISLAND FIRST NATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2021

**10. Long-term debt**

	<b>2021</b>	2020
Canada Mortgage and Housing Corporation 0.68% loan, payable \$484 monthly including interest, due October 1, 2025, one house	\$ 77,509	\$ 82,747
Canada Mortgage and Housing Corporation 0.46% loan, payable \$855 monthly including interest, due May 1, 2021, two houses	138,391	147,768
Canada Mortgage and Housing Corporation 1.91% loan, payable \$1,013 monthly including interest, due June 1, 2024, two houses	140,079	149,493
Canada Mortgage and Housing Corporation 1.91% loan, payable \$506 monthly including interest, due June 1, 2024, one house	70,028	74,735
Canada Mortgage and Housing Corporation 2.39% loan, payable \$1,030 monthly including interest, due March 1, 2023, two houses	129,152	138,349
Canada Mortgage and Housing Corporation 1.97% loan, payable \$1,274 monthly including interest, due December 1, 2022, four houses	160,578	172,620
Canada Mortgage and Housing Corporation 1.3% loan, payable \$941 monthly including interest, due June 1, 2022, three houses	116,671	126,399
Canada Mortgage and Housing Corporation 1.03% loan, payable \$596 monthly including interest, due October 1, 2021, two houses	71,711	78,094
Canada Mortgage and Housing Corporation 0.32% loan, payable \$275 monthly including interest, due August 1, 2021, one house	31,934	35,038
Canada Mortgage and Housing Corporation 0.46% loan, payable \$272 monthly including interest, due May 1, 2021, one house	28,497	31,571
Canada Mortgage and Housing Corporation 1.91% loan, payable \$299 monthly including interest, due on June 1, 2024, one house	25,838	28,904

**LENNOX ISLAND FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2021**

**10. Long-term debt, continued**

	<b>2021</b>	2020
Canada Mortgage and Housing Corporation 2.5% loan, payable \$299 monthly including interest, due on June 1, 2023, one house	<b>23,822</b>	26,785
Canada Mortgage and Housing Corporation 1.43% loan, payable \$269 monthly including interest, due on April 1, 2022, one house	<b>18,345</b>	21,296
Canada Mortgage and Housing Corporation 2.04% loan, payable \$737 monthly including interest, due on January 1, 2023, one house	<b>156,193</b>	161,828
Royal Bank of Canada 0% CEBA loan to Fish Pride, due December 2023, guaranteed by the federal government, \$10,000 to be forgiven if \$30,000 is repaid by the due date	<b>40,000</b>	-
Royal Bank of Canada Loan payable, \$18,850 monthly including interest at 2.96% due October 2022, secured a BCR	<b>968,219</b>	95,000
Bank of Montreal 1.94% loan, payable \$13,524 monthly including interest, amortized until March 2032	<b>1,346,531</b>	1,434,669
Bank of Montreal 3.21% loan, payable \$4,235 monthly including interest, amortized until February, 2036	<b>602,857</b>	633,829
Canada Mortgage and Housing Corporation 1.3% loan, payable \$503 monthly including interest, due April 1, 2026, one house	<b>82,698</b>	87,710
Canada Mortgage and Housing Corporation 1.3% loan, payable \$1,004 monthly including interest, due April 1, 2026, two houses	<b>165,074</b>	175,078
Royal Bank of Canada 4.95% loan, payable \$790 monthly including interest, amortized until December, 2023, secured by a van	<b>24,308</b>	32,358
Royal Bank of Canada 4.37% Fish Pride loan, \$9,085 monthly including interest, due December, 2022, secured by five fishing vessels and a guarantee by LIFN	<b>791,597</b>	864,292

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LENNOX ISLAND FIRST NATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2021

**10. Long-term debt, continued**

	<b>2021</b>	2020
Current portion	<b>5,210,032</b>	4,598,563
	<b>550,000</b>	-
	<b>\$ 4,660,032</b>	<b>\$ 4,598,563</b>

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All of the Canada Mortgage and Housing Corporation loans listed above are amortized over twenty five years and have been guaranteed by Indigenous Services Canada.

LENNOX ISLAND FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2021

**11. Tangible Capital Assets**

	Cost	Additions	Accumulated amortization	2021 Net book value
Housing and buildings	\$ 21,606,516	\$ 2,092,482	\$ 7,405,166	\$ 16,293,832
Vehicles	298,982	25,000	280,545	43,437
Computer equipment	75,914	6,018	77,118	4,814
Furniture and fixtures	131,641	6,599	131,725	6,515
Equipment	2,271,998	44,725	1,784,350	532,373
Water and sewer	7,085,425	-	2,901,713	4,183,711
Roads and paving	9,065,476	-	3,320,515	5,744,961
Fishing boats	1,743,832	194,772	1,656,586	282,018
Motor equipment	580,053	-	449,522	130,531
School bus	46,455	-	16,259	30,196
	<b>\$ 42,906,292</b>	<b>\$ 2,369,596</b>	<b>\$ 18,023,499</b>	<b>\$ 27,252,388</b>
	Cost	Additions	Accumulated amortization	2020 Net book value
Housing and buildings	\$ 18,938,563	\$ 2,667,953	\$ 6,813,487	\$ 14,793,029
Vehicles	298,982	-	261,327	37,654
Computer equipment	75,914	-	75,914	-
Furniture and fixtures	131,641	-	129,650	1,991
Equipment	2,159,938	112,061	1,686,110	585,889
Water and sewer	7,085,425	-	2,724,578	4,360,847
Roads and paving	9,065,476	-	3,199,642	5,865,834
Fishing boats	1,695,085	48,747	1,586,620	157,212
Motor equipment	580,053	-	425,319	154,734
School bus	46,455	-	13,937	32,519
	<b>\$ 40,077,532</b>	<b>\$ 2,828,761</b>	<b>\$ 16,916,584</b>	<b>\$ 25,989,709</b>

LENNOX ISLAND FIRST NATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**12. Prepaid expenses**

	2021	2020
Post secondary living allowances	\$ 13,610	\$ 18,175
Fisheries program	<u>135,311</u>	57,498
Health program	-	49,454
Other	-	13,087
Development corp	<u>15,686</u>	15,686
	<hr/> <u>\$ 164,607</u>	<hr/> <u>\$ 153,900</u>

**13. Expenses by object**

	2021	2020
Wages and benefits	\$ 5,431,629	\$ 4,875,026
Social program payments	497,822	622,398
Programs and activities	<u>3,572,582</u>	3,025,669
Transfers to other programs	75,713	73,790
Tuition and post secondary costs	746,821	747,385
Supplies and services	523,895	289,149
Interest and bank charges	145,003	325,874
Professional services	100,463	132,151
Contractor services	1,227,208	1,066,519
Commercial fisheries	1,211,246	1,109,290
Other	2,608,724	1,583,650
Amortization	<u>1,106,915</u>	1,193,428
Total	<hr/> <u>\$ 17,248,021</u>	<hr/> <u>\$ 15,044,329</u>

**14. Economic Dependence**

Lennox Island First Nation receives a significant portion of its revenue pursuant to a funding agreement with Indigenous Services Canada.

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LENNOX ISLAND FIRST NATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2021

**15. Contingent Liabilities**

Lennox Island First Nation has entered into contribution agreements with various federal government departments. Funding received under these contribution agreements is subject to repayment if the First Nation fails to comply with the terms and conditions of the agreements. The likelihood of compliance reviews and any potential findings are not determinable as at the date on the auditor's report.

In addition, in the normal course of its operations, Lennox Island First Nation becomes involved in legal actions. Some of these potential liabilities may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded on Lennox Island First Nation's financial statements.

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**16. Financial Instruments Risks and Uncertainties**

The First Nation is exposed to the following risks in respect of certain of the financial instruments held:

Credit risk

The financial instruments that potentially subject the First Nation to a significant concentration of credit risk consist primarily of cash and accounts receivable.

The First Nation maintains cash balances with Canadian chartered banks which is insured by the Canada Deposit Insurance Corporation up to CDN \$100,000. From time to time, these balances exceed the federally insured limits and expose the First Nation to credit risk from concentration of cash. The First Nation limits this risk by transacting with reputable financial institutions.

The First Nation does have credit risk in accounts receivable \$2,737,567 (2020 - \$1,541,968). Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The First Nation reduces its exposure to credit risk by performing valuations on a regular basis and creating an allowance for bad debts when applicable. The First Nation derives substantially all of its revenues and therefore, accounts receivable, from government sources. In the opinion of management, the credit risk exposure to the First Nation is low.

Liquidity risk

The First Nation does have a liquidity risk in the accounts payable and deferred revenue of \$5,484,456 (2020 - \$3,867,930). Liquidity risk is the risk that the First Nation cannot repay its obligations when they become due to its creditors. The First Nation reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due: maintains an adequate line of credit to repay trade creditors and maintains a responsible cash position. In the opinion of management, the liquidity risk exposure to the First Nation is moderate.

Interest rate risk

The First Nation is exposed to interest rate risk. This risk exists due to interest rate exposure on its bank indebtedness, which is variable based on the bank's prime rates. This exposure may have an effect on its interest expenses in future periods. The First Nation reduces its exposure to interest rate risk by regularly monitoring published bank prime interest rates which have been relatively stable over the period presented. There are some loans payable that are at fixed term rates and therefore, do not affect interest rate risk. The First Nation does not use derivative instruments to reduce its exposure to interest rate risk. In the opinion of management the interest rate risk exposure to the First Nation is low and is not material.

**17. Budgeted figures**

Unaudited budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by Chief and Council.

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**18. Comparative Amounts**

Certain comparative amounts have been reclassified to conform with the presentation adopted in the current period. There is no impact to the accumulated surplus balance.

**19. Annual surplus net of capital related revenues, amortization, and prin payments**

	<b>2021</b>	<b>2020</b>
Annual surplus (deficit)	\$ 1,672,576	\$ 2,555,153
Deduct: Federal government capital transfers	(1,347,766)	(1,550,984)
Deduct: Provincial government capital transfers	-	(184,362)
Deduct: principal payments on loans	(383,531)	(170,310)
Add: Amortization expense included in the annual surplus (non-cash)	<u>1,106,915</u>	<u>1,193,428</u>
Annual surplus net of capital transfers, amortization and principal payments	<u>\$ 1,048,194</u>	<u>\$ 749,511</u>