

LENNOX ISLAND FIRST NATION

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2022

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CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2022

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LENNOX ISLAND FIRST NATION
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING
MARCH 31, 2022

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

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of CPA Canada and as such include amounts that are the best estimates and judgments of management.

Management is responsible for the integrity and objectivity of these statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

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

Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and 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 external auditors, Lenehan McCain and Associates, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of Lennox Island First Nation and meet when required.

On behalf of Lennox Island First Nation:

Chief D. Bernard
Chief

November 21, 2022
Date

Dianne Diffrant
Band administrator

November 21, 2022
Date

Independent Auditor's Report

To the Chief and Council and Members of
Lennox Island First Nation

Opinion

We have audited the consolidated financial statements of Lennox Island First Nation, which comprise the consolidated statement of financial position as at March 31, 2022, and the consolidated statements of operations and accumulated surplus, change in net debt, cash flows and the related schedules for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

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, 2022, and the results of its consolidated operations 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 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.

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.

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 these 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.
- 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.

We 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.

Lewton McCain + Associates

Chartered Professional Accountants

Woodstock, New Brunswick
November 17, 2022

LENNOX ISLAND FIRST NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2022

	2022	2021
Financial Assets		
Cash (Note 7)	\$ 4,209,063	\$ 3,684,489
Restricted cash, CMHC replacement reserve	258,028	258,028
Accounts receivable (Note 5)	2,656,779	2,737,567
Due from Minigoo Fisheries Inc.	1,902,439	1,902,439
Trust funds held by federal government (Note 6)	90,086	88,386
Inventory (Note 3)	117,506	14,009
	<u>9,233,901</u>	<u>8,684,918</u>
Liabilities		
Accounts payable (Note 8)	1,884,581	956,628
Deferred revenue (Note 9)	2,787,542	4,527,828
Investment in Minigoo Fisheries Inc. (Note 4)	1,799,843	1,799,843
Long-term debt (Note 10)	4,689,229	5,210,032
	<u>11,161,195</u>	<u>12,494,331</u>
Net debt	<u>(1,927,294)</u>	<u>(3,809,413)</u>
Non-financial Assets		
Tangible capital assets (Note 11)	30,237,076	27,252,389
Prepaid expenses (Note 12)	96,915	164,607
	<u>30,333,991</u>	<u>27,416,996</u>
Accumulated Surplus	<u>\$ 28,406,697</u>	<u>\$ 23,607,583</u>

Approved on behalf of the Lennox Island First Nation

Chief D. Bernard, Chief
Campbell, Councillor
C. D. Bent, Councillor
Wendy G. Bent, 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, 2022

	2022 Budget	2022 Actual	2021 Actual
Surplus/(Deficit)	\$ (375,576)	\$ 4,799,111	\$ 1,672,576
Acquisition of tangible capital assets	-	(4,305,629)	(2,369,596)
Amortization of tangible capital assets	1,135,390	1,320,944	1,106,915
	1,135,390	(2,984,685)	(1,262,681)
(Increase) decrease in prepaid expenses	-	67,693	(10,707)
Increase/(decrease) in net financial assets	759,814	1,882,119	399,188
Net debt at beginning of year	(3,809,413)	(3,809,413)	(4,208,601)
Net debt at end of year	\$ (3,049,599)	\$ (1,927,294)	\$ (3,809,413)

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, 2022

	2022 Budget	2022 Actual	2021 Actual
Revenue			
Indigenous Services Canada	\$ 5,842,212	\$ 8,560,984	\$ 7,055,546
Health Canada	3,987,867	3,987,867	3,261,595
Economic Development	2,194,000	3,442,339	1,765,169
Department of Fisheries and Oceans	1,000,000	1,180,371	1,333,362
Canada Mortgage and Housing Corporation	73,628	103,597	79,602
Commercial fisheries	1,250,000	3,612,293	2,874,129
Deferred revenue, opening	2,693,050	4,427,828	2,558,643
Deferred revenue, closing	(1,636,047)	(2,759,574)	(4,427,828)
Other	2,147,906	4,526,800	4,420,379
	17,552,616	27,082,505	18,920,597
Expenditures			
Social development	2,247,752	2,432,769	1,776,087
Education	2,044,857	2,201,282	2,004,913
Economic development	3,995,500	7,735,183	4,451,472
Band management	1,029,500	1,775,941	1,536,982
Capital	626,000	546,377	696,108
Capital facilities operating and maintenance	1,943,531	1,289,881	1,005,329
Membership	16,673	16,967	16,500
Health	4,384,765	4,456,599	4,195,367
Cultural program	408,474	395,166	344,642
Rental program	85,750	112,285	72,889
	16,782,802	20,962,450	16,100,289
Surplus before other income	769,814	6,120,055	2,820,308
Other income			
Equity (loss) of Minigoo Fisheries Inc.	(10,000)	-	(40,817)
Amortization	(1,135,390)	(1,320,944)	(1,106,915)
	(1,145,390)	(1,320,944)	(1,147,732)
Surplus	(375,576)	4,799,111	1,672,576
Accumulated surplus at beginning of year	23,607,583	23,607,583	21,935,007
Accumulated surplus at end of year	\$ 23,232,007	\$ 28,406,694	\$ 23,607,583

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, 2022

	<u>2022</u>	<u>2021</u>
Cash flows from Operating activities		
Surplus	\$ 4,799,111	\$ 1,672,576
Items not affecting cash		
Amortization	1,320,944	1,106,915
	6,120,055	2,779,491
Change in non-cash operating working capital		
Accounts receivable	80,788	(1,195,599)
Inventory	(103,497)	-
Prepaid expenses	67,692	(10,707)
Trust funds held by federal government	(1,700)	(1,679)
Accounts payable	927,955	527,148
Deferred revenue	(1,740,286)	1,089,378
Investment in Minigoo Fisheries Inc.	-	40,817
	5,351,007	3,228,849
Capital activities		
Acquisition of tangible capital assets	(4,305,630)	(2,369,596)
Financing activities		
Repayment of long-term debt	(576,773)	(383,531)
Proceeds of long-term debt	55,970	995,000
	(520,803)	611,469
Increase in cash and cash equivalents	524,574	1,470,722
Cash and cash equivalents, beginning of year	3,942,517	2,471,795
Cash and cash equivalents, end of year	\$ 4,467,091	\$ 3,942,517
Represented by		
Cash	\$ 4,209,063	\$ 3,684,489
Restricted cash	258,028	258,028
	\$ 4,467,091	\$ 3,942,517

The accompanying notes are an integral part of the financial statements

LENNOX ISLAND FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2022

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.

LENNOX ISLAND FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2022

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.

LENNOX ISLAND FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2022

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.

LENNOX ISLAND FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2022

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 recognized as a non-financial asset when acquired in accordance with PSAB guidelines.

3. Inventory

	2022	2021
Inventory - tobacco products	\$ -	\$ 14,009
LIDC products for resale	117,506	-
	\$ 117,506	\$ 14,009

LENNOX ISLAND FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2022

4. Investment in Government Business Enterprises

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

- ♦ Minigoo Fisheries Inc.

	2022 Total
<u>Tangible capital assets</u>	<u>\$ 102,695</u>
<u>Due to Lennox Island First Nation</u>	<u>\$ 1,902,439</u>
<u>Total liabilities</u>	<u>1,902,439</u>
<u>Equity</u>	<u>(1,799,744)</u>
<u>Total equity</u>	<u>(1,799,744)</u>
<u>Total liabilities and equity</u>	<u>\$ 102,695</u>

LENNOX ISLAND FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2022

5. Accounts receivable

	2022	2021
Indigenous Services Canada	\$ 247,415	\$ 366,818
HST rebate and Other	170,925	192,298
Province of Prince Edward Island	220,752	84,034
Department of Fisheries & Oceans	787,080	820,065
Fisherman's Pride receivables	292,201	103,490
Band members rental program	319,477	273,689
MCPEI	26,064	448,224
Health Canada	-	29,819
Lennox Island Development receivables	539,959	147,131
Health program	2,906	2,460
CMHC	-	13,363
Wharf project	-	206,814
Cultural program	50,000	49,362
	\$ 2,656,779	\$ 2,737,567

6. Trust funds held by Federal Government

	March 31, 2021	Additions (interest and permit fees)		March 31, 2022
Revenue	\$ 85,842	\$ 1,700	\$ -	\$ 87,542
Capital	2,544	-	-	2,544
	\$ 88,386	\$ 1,700	\$ -	\$ 90,086

7. Cash

	2022	2021
Term deposit GIC's	\$ 541,530	\$ 800,000
Net bank balances	2,383,533	2,064,489
Membership and benefits account	1,284,000	820,000
	\$ 4,209,063	\$ 3,684,489

LENNOX ISLAND FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2022

8. Accounts payable

	2022	2021
Trade	\$ 1,018,230	\$ 588,856
Public Schools Branch	107,045	40,442
Pension plan remittance	42,187	35,813
Fisheries programs	238,009	112,741
Health programs	197,028	45,481
Lennox Island Dev Corp payables	231,553	89,583
Vacation pay	17,703	12,942
Employee savings	32,826	30,770
	<hr/> \$ 1,884,581	<hr/> \$ 956,628

Remittances for band employee benefits are current as of March 31, 2022.

LENNOX ISLAND FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2022

9. Deferred revenue

	2022	2021
Province of PEI - Ec.dev.funding	\$ -	\$ 100,000
Health programs	1,565,071	919,798
Cultural programs	28,308	68,474
Development corp	90,000	-
CMHC new homes	-	1,391,850
Fisherman's Pride	-	471,280
ISC - school EMAP	43,230	-
ISC - post secondary	266,974	86,838
ISC - firehall design and construction	-	849,181
ISC - fire protection	134,146	-
ISC - social Covid	-	109,980
ISC - construction	-	50,000
ISC - lot servicing and subdivision development	-	179,710
ISC - women's shelter	17,317	24,644
ISC - Covid daycare building	-	17,688
ISC - Covid EMAP	-	88,749
ISC - Pre-employment supports	-	151,359
ISC - Fire hall	-	18,277
ISC - Assisted living	2,970	-
ISC - Family violence	98,426	-
ISC - Income assistance	175,685	-
ISC - Service delivery	81,822	-
ISC - Covid-19 LEDSP	57,595	-
Women's shelter - non-ISC	225,998	-
	\$ 2,787,542	\$ 4,527,828

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.

10. Long-term debt

	2022	2021
Canada Mortgage and Housing Corporation 0.68% loan, payable \$484 monthly including interest, due October 1, 2025, one house	\$ 72,214	\$ 77,509
Canada Mortgage and Housing Corporation 1.22% loan, payable \$900 monthly including interest, due May 1, 2026, two houses	129,213	138,391

LENNOX ISLAND FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2022

10. Long-term debt, continued

	2022	2021
Canada Mortgage and Housing Corporation 1.91% loan, payable \$1,013 monthly including interest, due June 1, 2024, two houses	130,489	140,079
Canada Mortgage and Housing Corporation 1.91% loan, payable \$506 monthly including interest, due June 1, 2024, one house	65,234	70,028
Canada Mortgage and Housing Corporation 2.39% loan, payable \$1,030 monthly including interest, due March 1, 2023, two houses	119,740	129,152
Canada Mortgage and Housing Corporation 1.97% loan, payable \$1,274 monthly including interest, due December 1, 2022, four houses	148,305	160,578
Canada Mortgage and Housing Corporation 1.3% loan, payable \$941 monthly including interest, due June 1, 2022, three houses	106,818	116,671
Canada Mortgage and Housing Corporation 2.27% loan, payable \$630 monthly including interest, due April 1, 2027, two houses	65,124	71,711
Canada Mortgage and Housing Corporation 1.01% loan, payable \$284 monthly including interest, due August 1, 2026, one house	28,805	31,934
Canada Mortgage and Housing Corporation 1.22% loan, payable \$281 monthly including interest, due May 1, 2026, one house	25,454	28,497
Canada Mortgage and Housing Corporation 1.91% loan, payable \$299 monthly including interest, due on June 1, 2024, one house	22,714	25,838
Canada Mortgage and Housing Corporation 2.5% loan, payable \$299 monthly including interest, due on June 1, 2023, one house	20,786	23,822
Canada Mortgage and Housing Corporation 1.30% loan, payable \$268 monthly including interest, due on October 1, 2022, one house	15,352	18,345

LENNOX ISLAND FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2022

10. Long-term debt, continued

	2022	2021
Canada Mortgage and Housing Corporation 2.04% loan, payable \$737 monthly including interest, due on January 1, 2023, one house	150,449	156,193
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	-	40,000
Royal Bank of Canada Loan payable, \$18,850 monthly including interest at 2.96% due October 2022, secured a BCR	768,001	968,219
Bank of Montreal Prime + 3% loan, payable \$11,336 monthly including interest, due March 2022, amortized until March 2032	1,235,769	1,346,531
Bank of Montreal 3.21% loan, payable \$4,235 monthly including interest, due February 2024, amortized until February, 2036	570,913	602,857
Canada Mortgage and Housing Corporation 1.3% loan, payable \$503 monthly including interest, due April 1, 2026, one house	77,708	82,698
Canada Mortgage and Housing Corporation 1.3% loan, payable \$1,004 monthly including interest, due April 1, 2026, two houses	155,113	165,074
Royal Bank of Canada 4.95% loan, payable \$790 monthly including interest, amortized until December, 2023, secured by a van	15,838	24,308
GMAC Loan payable, \$1,314 monthly including interest, secured by 2018 GMC Sierra 2500 vehicle	49,399	-
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	715,791	791,597
<u>Current portion</u>	4,689,229	5,210,032
	560,000	550,000
	\$ 4,129,229	\$ 4,660,032

LENNOX ISLAND FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2022

10. Long-term debt, continued

2022

2021

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, 2022

11. Tangible Capital Assets

	Cost	Additions	Accumulated amortization	2022 Net book value
Housing and buildings	\$ 23,698,998	\$ 2,348,416	\$ 8,029,452	\$ 18,017,962
Vehicles	323,982	136,315	353,128	107,169
Computer equipment	81,932	-	78,321	3,611
Furniture and fixtures	138,240	186,950	171,053	154,137
Equipment	2,316,723	709,199	1,953,509	1,072,413
Water and sewer	7,085,425	271,178	3,085,628	4,270,974
Roads and paving	9,065,476	-	3,441,388	5,624,088
Fishing boats	1,938,604	-	1,726,552	212,052
Motor equipment	580,053	-	473,725	106,328
School bus	46,455	119,700	24,567	141,588
Subdivision	-	533,871	7,118	526,753
	\$ 45,275,888	\$ 4,305,629	\$ 19,344,441	\$ 30,237,075

	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
	\$ 42,906,292	\$ 2,369,596	\$ 18,023,499	\$ 27,252,388

LENNOX ISLAND FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2022

12. Prepaid expenses

	2022	2021
Post secondary living allowances	\$ 12,425	\$ 13,610
Fisheries program	70,903	135,311
Other	13,587	-
Development corp	-	15,686
	\$ 96,915	\$ 164,607

13. Expenses by object

	2022	2021
Wages and benefits	\$ 7,335,380	\$ 5,431,629
Social program payments	589,449	497,822
Programs and activities	3,669,313	3,572,582
Transfers to other programs	88,147	75,713
Tuition and post secondary costs	882,779	746,821
Supplies and services	1,320,565	523,895
Interest and bank charges	97,749	145,003
Professional services	168,943	100,463
Contractor services	1,038,309	1,227,208
Commercial fisheries	2,203,167	1,211,246
Other	3,568,648	2,608,724
Amortization	1,320,944	1,106,915
Total	\$ 22,283,393	\$ 17,248,021

14. Economic Dependence

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

LENNOX ISLAND FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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15. Contingent Liabilities

Lennox Island First Nation has entered into contribution agreements with various federal and provincial 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.

Lennox Island First Nation has a letter of guarantee issued by Royal Bank of Canada in the amount of \$201,935 in favor of a supplier, due to expire December, 2024.

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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 \$2,656,779 (2021 - \$2,737,567). 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 \$4,672,123 (2021 - \$5,484,456). 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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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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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

	2022	2021
Annual surplus (deficit)	\$ 4,799,111	\$ 1,672,576
Deduct: Federal government capital transfers	(3,346,451)	(1,347,766)
Deduct: Provincial government capital transfers	(80,000)	-
Deduct: principal payments on loans	(576,773)	(383,531)
Add: Amortization expense included in the annual surplus (non-cash)	1,320,944	1,106,915
Annual surplus net of capital transfers, amortization and principal payments	\$ 2,116,831	\$ 1,048,194