

# **LENNOX ISLAND FIRST NATION**

## **CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2022**

LENNOX ISLAND FIRST NATION  
CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2022

Page

Management's Responsibility for Financial Reporting

Independent Auditor's Report

Financial Statements

|  |   |
|--|---|
| Consolidated Statement of Financial Position                 | 1 |
| Consolidated Statement of Change in Net Debt                 | 2 |
| Consolidated Statement of Operations and Accumulated Surplus | 3 |
| Consolidated Statement of Cash Flows                         | 4 |
| Notes to Consolidated Financial Statements                   | 5 |

Consolidated Schedules of Operations by Program

|  |    |
|--|----|
| Consolidated Summary Schedule of Operations by Program     | 21 |
| Social development - Schedule #1                           | 22 |
| Education - Schedule #2                                    | 23 |
| Economic development - Schedule #3                         | 24 |
| Band management - Schedule #4                              | 25 |
| Capital - Schedule #5                                      | 26 |
| Capital facilities operating and maintenance - Schedule #6 | 27 |
| Membership - Schedule #7                                   | 28 |
| Health - Schedule #8                                       | 29 |
| Cultural program - Schedule #9                             | 30 |
| Rental program - Schedule #10                              | 31 |

ISC reporting requirements

|  |    |
|--|----|
| Government transfers                   | 32 |
| Health Canada funding and expenditures | 33 |
| ISC funding and expenditures           | 34 |
| Segment disclosure                     | 35 |

---

LENNOX ISLAND FIRST NATION  
CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2022

Page

|   |    |
|---|----|
| Consolidated Schedules of Operations by Program (continued)                   |    |
| Segment disclosure cont'd   | 36 |
| Review engagement report  | 37 |
| Schedule of salaries, honoraria and travel expenses paid to Chief and Council | 38 |
| Schedule of salaries and travel paid to senior unelected officials            | 39 |

---

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.

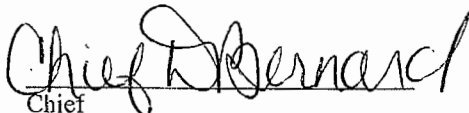
Management is responsible for the integrity and objectivity of these statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

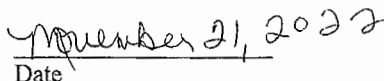
Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and is ultimately responsible for reviewing and approving the consolidated financial statements.

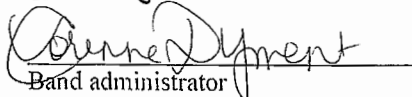
Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the consolidated financial statements and the external auditor's report.

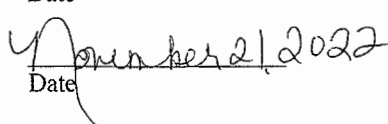
The external auditors, Lenehan McCain and Associates, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of Lennox Island First Nation and meet when required.

On behalf of Lennox Island First Nation:

  
Chief

  
Date

  
Band administrator

  
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.

*Lewin McCain + Associates*

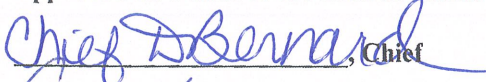
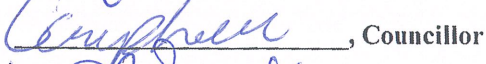
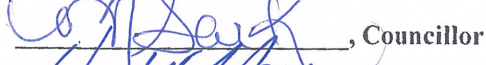
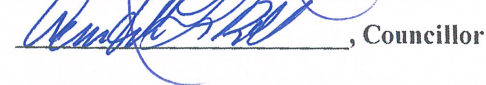
Chartered Professional Accountants

Woodstock, New Brunswick  
November 17, 2022

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

|   | 2022                 | 2021                 |
|---|----------------------|----------------------|
| <b>Financial Assets</b>                         |                      |                      |
| 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>     |
| <b>Liabilities</b>                              |                      |                      |
| 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>    |
| <b>Net debt</b>                                 | <u>(1,927,294)</u>   | <u>(3,809,413)</u>   |
| <b>Non-financial Assets</b>                     |                      |                      |
| 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>    |
| <b>Accumulated Surplus</b>                      | <u>\$ 28,406,697</u> | <u>\$ 23,607,583</u> |

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, 2022

|   | <b>2022<br/>Budget</b> | <b>2022<br/>Actual</b> | <b>2021<br/>Actual</b> |
|---|------------------------|------------------------|------------------------|
| <b>Surplus/(Deficit)</b>                    | <b>\$ (375,576)</b>    | <b>\$ 4,799,111</b>    | <b>\$ 1,672,576</b>    |
| 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)            |
| <b>Net debt at end of year</b>              | <b>\$ (3,049,599)</b>  | <b>\$ (1,927,294)</b>  | <b>\$ (3,809,413)</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, 2022

|   | 2022<br>Budget | 2022<br>Actual | 2021<br>Actual |
|---|----------------|----------------|----------------|
| <b>Revenue</b>                                  |                |                |                |
| 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     |
| <b>Expenditures</b>                             |                |                |                |
| 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     |
| <b>Surplus before other income</b>              | 769,814        | 6,120,055      | 2,820,308      |
| <b>Other income</b>                             |                |                |                |
| 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)    |
| <b>Surplus</b>                                  | (375,576)      | 4,799,111      | 1,672,576      |
| <b>Accumulated surplus at beginning of year</b> | 23,607,583     | 23,607,583     | 21,935,007     |
| <b>Accumulated surplus at end of year</b>       | \$ 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

|   | 2022         | 2021         |
|---|--------------|--------------|
| <b>Cash flows from</b>                              |              |              |
| <b>Operating activities</b>                         |              |              |
| 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    |
| <b>Capital activities</b>                           |              |              |
| Acquisition of tangible capital assets              | (4,305,630)  | (2,369,596)  |
| <b>Financing activities</b>                         |              |              |
| Repayment of long-term debt                         | (576,773)    | (383,531)    |
| Proceeds of long-term debt                          | 55,970       | 995,000      |
|   | (520,803)    | 611,469      |
| <b>Increase in cash and cash equivalents</b>        | 524,574      | 1,470,722    |
| <b>Cash and cash equivalents, beginning of year</b> | 3,942,517    | 2,471,795    |
| <b>Cash and cash equivalents, end of year</b>       | \$ 4,467,091 | \$ 3,942,517 |
| <b>Represented by</b>                               |              |              |
| 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     | <b>117,506</b>    | -                |
|                              | <b>\$ 117,506</b> | <b>\$ 14,009</b> |

---

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



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              |
|                                       | <b>\$ 2,656,779</b> | <b>\$ 2,737,567</b> |

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

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

**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             |
|                                 | <b>\$ 4,209,063</b> | <b>\$ 3,684,489</b> |

---

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            |
|                                 | <u>\$ 1,884,581</u> | <u>\$ 956,628</u> |

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             | -                   |
|   | <b>\$ 2,787,542</b> | <b>\$ 4,527,828</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.

**10. Long-term debt**

|  | 2022      | 2021      |
|--|-----------|-----------|
| Canada Mortgage and Housing Corporation<br>0.68% loan, payable \$484 monthly including interest, due October<br>1, 2025, one house | \$ 72,214 | \$ 77,509 |
| Canada Mortgage and Housing Corporation<br>1.22% loan, payable \$900 monthly including interest, due May 1,<br>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<br>1.91% loan, payable \$1,013 monthly including interest, due June 1,<br>2024, two houses      | 130,489 | 140,079 |
| Canada Mortgage and Housing Corporation<br>1.91% loan, payable \$506 monthly including interest, due June 1,<br>2024, one house         | 65,234  | 70,028  |
| Canada Mortgage and Housing Corporation<br>2.39% loan, payable \$1,030 monthly including interest, due March<br>1, 2023, two houses     | 119,740 | 129,152 |
| Canada Mortgage and Housing Corporation<br>1.97% loan, payable \$1,274 monthly including interest, due<br>December 1, 2022, four houses | 148,305 | 160,578 |
| Canada Mortgage and Housing Corporation<br>1.3% loan, payable \$941 monthly including interest, due June 1,<br>2022, three houses       | 106,818 | 116,671 |
| Canada Mortgage and Housing Corporation<br>2.27% loan, payable \$630 monthly including interest, due April 1,<br>2027, two houses       | 65,124  | 71,711  |
| Canada Mortgage and Housing Corporation<br>1.01% loan, payable \$284 monthly including interest, due August 1,<br>2026, one house       | 28,805  | 31,934  |
| Canada Mortgage and Housing Corporation<br>1.22% loan, payable \$281 monthly including interest, due May 1,<br>2026, one house          | 25,454  | 28,497  |
| Canada Mortgage and Housing Corporation<br>1.91% loan, payable \$299 monthly including interest, due on June<br>1, 2024, one house      | 22,714  | 25,838  |
| Canada Mortgage and Housing Corporation<br>2.5% loan, payable \$299 monthly including interest, due on June 1,<br>2023, one house       | 20,786  | 23,822  |
| Canada Mortgage and Housing Corporation<br>1.30% loan, payable \$268 monthly including interest, due on<br>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<br>2.04% loan, payable \$737 monthly including interest, due on<br>January 1, 2023, one house  | 150,449      | 156,193      |
| Royal Bank of Canada<br>0% CEBA loan to Fish Pride, due December 2023, guaranteed by<br>the federal government, \$10,000 to be forgiven if \$30,000 is repaid<br>by the due date | -            | 40,000       |
| Royal Bank of Canada<br>Loan payable, \$18,850 monthly including interest at 2.96% due<br>October 2022, secured a BCR  | 768,001      | 968,219      |
| Bank of Montreal<br>Prime + 3% loan, payable \$11,336 monthly including interest, due<br>March 2022, amortized until March 2032  | 1,235,769    | 1,346,531    |
| Bank of Montreal<br>3.21% loan, payable \$4,235 monthly including interest, due<br>February 2024, amortized until February, 2036   | 570,913      | 602,857      |
| Canada Mortgage and Housing Corporation<br>1.3% loan, payable \$503 monthly including interest, due April 1,<br>2026, one house  | 77,708       | 82,698       |
| Canada Mortgage and Housing Corporation<br>1.3% loan, payable \$1,004 monthly including interest, due April 1,<br>2026, two houses   | 155,113      | 165,074      |
| Royal Bank of Canada<br>4.95% loan, payable \$790 monthly including interest, amortized<br>until December, 2023, secured by a van  | 15,838       | 24,308       |
| GMAC<br>Loan payable, \$1,314 monthly including interest, secured by 2018<br>GMC Sierra 2500 vehicle   | 49,399       | -            |
| Royal Bank of Canada 4.37% Fish Pride loan, \$9,085 monthly<br>including interest, due December, 2022, secured by five fishing<br>vessels and a guarantee by LIFN                | 715,791      | 791,597      |
|  | 4,689,229    | 5,210,032    |
| Current portion  | 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**

|  | <b>2022</b> | 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<br>amortization | 2022<br>Net book<br>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                   |
|                        | <b>\$ 45,275,888</b> | <b>\$ 4,305,629</b> | <b>\$ 19,344,441</b>        | <b>\$ 30,237,075</b>      |

|                        | Cost                 | Additions           | Accumulated<br>amortization | 2021<br>Net book<br>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>      |



---

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            |
|                                  | <u>\$ 96,915</u> | <u>\$ 164,607</u> |

**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                            | <u>\$ 22,283,393</u> | <u>\$ 17,248,021</u> |

**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

MARCH 31, 2022

**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.

---

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

**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.

---

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

**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 |

---