

LENNOX ISLAND FIRST NATION

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

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CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2023

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Independent Auditor's Report

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LENNOX ISLAND FIRST NATION
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING
MARCH 31, 2023

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.

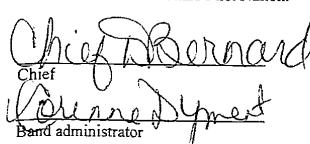
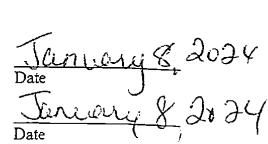
Management is responsible for the integrity and objectivity of these statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

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	 Band administrator
January 8, 2024	January 8, 2024
Date	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, 2023, 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, 2023, 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.

Lawson McCain + Associates
Chartered Professional Accountants

Woodstock, New Brunswick
January 8, 2024

LENNOX ISLAND FIRST NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2023

	2023	2022
Financial Assets		
Cash (Note 7)	\$ 5,594,814	\$ 4,299,063
Restricted cash, CMHC replacement reserve	371,074	258,028
Accounts receivable (Note 5)	7,178,660	2,656,779
Minigoog Fisheries Inc. (Note 4)	102,596	102,596
Trust funds held by federal government (Note 6)	92,870	90,086
Inventory (Note 5)	158,018	117,506
	15,498,032	7,434,058
Liabilities		
Accounts payable (Note 8)	4,300,048	1,884,581
Deferred revenue (Note 9)	6,694,423	2,787,542
Long-term debt (Note 10)	4,211,246	4,689,229
	15,205,217	9,361,352
Net debt	(1,707,685)	(1,927,294)
Non-financial Assets		
Tangible capital assets (Note 11)	31,436,700	30,237,075
Prepaid expenses (Note 12)	98,250	96,915
	31,534,950	30,333,990
Accumulated Surplus	\$ 29,827,265	\$ 28,406,696

Approved on behalf of the Lennox Island First Nation

Chief Executive
Councillor
Councillor
Councillor
Councillor

The accompanying notes are an integral part of the financial statements.

LENNOX ISLAND FIRST NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2023

	<u>2023</u>	<u>2022</u>
Financial Assets		
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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, 2023

	2023 Budget	2023 Actual	2022 Actual
Surplus/(Deficit)	\$ (167,073)	\$ 1,420,574	\$ 4,799,112
Acquisition of tangible capital assets	(1,000,000)	(2,585,536)	(4,305,630)
Amortization of tangible capital assets	1,320,944	1,358,036	1,320,944
Proceeds on disposal of tangible capital assets	-	2,500	-
Loss on disposal of tangible capital assets	-	25,370	-
	320,944	(1,199,630)	(2,984,686)
(Increase) decrease in prepaid expenses	-	(1,335)	67,693
Increase/(decrease) in net financial assets	153,871	219,609	1,882,119
Net debt at beginning of year	(1,927,294)	(1,927,294)	(3,809,413)
Net debt at end of year	\$ (1,773,423)	\$ (1,707,685)	\$ (1,927,294)

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, 2023

	2023 Budget	2023 Actual	2022 Actual
Revenue			
Indigenous Services Canada	\$ 5,662,502	\$ 13,164,737	\$ 8,560,984
Health Canada	3,987,867	5,509,957	3,987,867
Economic Development	5,084,000	6,404,409	3,442,339
Department of Fisheries and Oceans	1,000,000	820,220	1,180,371
Canada Mortgage and Housing Corporation	73,628	150,912	103,597
Commercial fisheries	3,500,000	4,275,887	3,640,345
Deferred revenue, opening	2,759,574	2,759,574	4,427,828
Deferred revenue, closing	(2,746,384)	(6,338,130)	(2,759,574)
Other	2,078,906	4,630,777	4,526,800
	21,400,093	31,378,343	27,110,557
Expenditures			
Social development	2,337,929	2,185,678	2,432,769
Education	2,044,857	2,774,609	2,203,909
Economic development	8,230,500	10,553,968	7,495,261
Band management	1,289,000	1,765,049	1,803,993
Capital	388,090	3,058,216	783,671
Capital facilities operating and maintenance	1,070,350	1,276,096	1,289,881
Membership	16,673	70,491	16,967
Health	4,384,765	6,354,817	4,456,599
Cultural program	398,308	472,314	395,166
Rental program	85,750	88,495	112,285
	20,246,222	28,599,733	20,990,501
Surplus before other income	1,153,871	2,778,610	6,120,056
Other income			
Amortization	(1,320,944)	(1,358,036)	(1,320,944)
Surplus	(167,073)	1,420,574	4,799,112
Accumulated surplus at beginning of year	28,406,695	28,406,695	23,607,583
Accumulated surplus at end of year	\$ 28,239,622	\$ 29,827,269	\$ 28,406,695

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, 2023

	2023	2022
Cash flows from		
Operating activities		
Surplus	\$ 1,420,574	\$ 4,799,112
Items not affecting cash		
Amortization	1,358,036	1,320,944
Loss on disposal of school bus	25,370	-
	2,803,980	6,120,056
Change in non-cash operating working capital		
Accounts receivable	(4,521,881)	80,788
Inventory	(40,512)	(103,497)
Prepaid expenses	(1,335)	67,692
Trust funds held by federal government	(2,784)	(1,700)
Accounts payable	2,415,467	927,954
Deferred revenue	3,906,881	(1,740,286)
	4,559,816	5,351,007
Capital activities		
Acquisition of tangible capital assets	(2,585,535)	(4,305,630)
Proceeds on disposal of tangible capital assets	2,500	-
	(2,583,035)	(4,305,630)
Financing activities		
Repayment of long-term debt	(477,984)	(576,773)
Proceeds of long-term debt	-	55,970
	(477,984)	(520,803)
Increase in cash and cash equivalents	1,498,797	524,574
Cash and cash equivalents, beginning of year	4,467,091	3,942,517
Cash and cash equivalents, end of year	\$ 5,965,888	\$ 4,467,091
Represented by		
Cash	\$ 5,594,814	\$ 4,209,063
Restricted cash	371,074	258,028
	\$ 5,965,888	\$ 4,467,091

The accompanying notes are an integral part of the financial statements

LENNOX ISLAND FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

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, 2023

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, 2023

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, 2023

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

	2023	2022
<u>LIDC products for resale</u>	<u>\$ 158,018</u>	<u>\$ 117,506</u>

LENNOX ISLAND FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2023

4. Investment in Government Business Enterprises

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

- ♦ Minigoo Fisheries Inc.

	2023 Total
Tangible capital assets	<u>\$ 102,596</u>
Equity	<u>\$ 102,596</u>
Total equity	<u>102,596</u>
Total liabilities and equity	<u>\$ 102,596</u>

LENNOX ISLAND FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2023

5. Accounts receivable

	2023	2022
Indigenous Services Canada	\$ 2,501,378	\$ 247,415
HST rebate and Other	251,203	170,925
Province of Prince Edward Island	292,069	220,752
Department of Fisheries & Oceans	1,062,071	787,080
Fisherman's Pride receivables	393,162	292,201
Band members rental program	325,399	319,477
MCPEI	78,655	26,064
Health Canada	1,428,673	-
Lennox Island Development receivables	606,296	539,959
Health program	86,754	2,906
CMHC	150,000	-
Cultural program	3,000	50,000
	\$ 7,178,660	\$ 2,656,779

6. Trust funds held by Federal Government

	Additions			March 31, 2023
	March 31, 2022	(interest and permit fees)	Withdrawals	
Revenue	\$ 87,542	\$ 2,784	\$ -	\$ 90,326
Capital	2,544	-	-	2,544
	\$ 90,086	\$ 2,784	\$ -	\$ 92,870

7. Cash

	2023	2022
Term deposit GIC's	\$ 542,024	\$ 541,530
Net bank balances	3,383,458	2,383,533
Membership and benefits account	1,669,332	1,284,000
	\$ 5,594,814	\$ 4,209,063

LENNOX ISLAND FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2023

8. Accounts payable

	2023	2022
Funding repayable to Health Canada	\$ 5,519	\$ -
Trade	<u>3,258,424</u>	1,018,230
Public Schools Branch	177,562	107,045
Pension plan remittance	45,224	42,187
Fisheries programs	466,273	238,009
Health programs	166,737	197,028
Lennox Island Dev Corp payables	126,657	231,553
Vacation pay	24,789	17,703
Employee savings	28,863	32,826
	<hr/> <u>\$ 4,300,048</u>	<hr/> <u>\$ 1,884,581</u>

Remittances for band employee benefits are current as of March 31, 2023.

LENNOX ISLAND FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

9. Deferred revenue

	2023	2022
Wharf project	\$ 959,282	\$ -
Health programs	2,318,696	1,565,071
Cultural programs	23,808	28,308
Development corp	-	90,000
CMHC Accessibility/energy efficiency	150,000	-
CMHC Replacement reserve	250,000	-
ISC - school EMAP	43,230	43,230
ISC - post secondary	461,867	266,974
ISC - fire protection	-	134,146
ISC - ESE implem/expan adult ed	21,887	-
ISC - construction	705,000	-
ISC - PSPP design and delivery	244,743	-
ISC - women's shelter	556,894	17,317
ISC - Band designate	40,745	-
ISC - Summer students	21,837	-
ISC - Other protection	135,000	-
ISC - Fire protection	54,268	-
ISC - Assisted living	7,942	2,970
ISC - Family violence	173,875	98,426
ISC - Income assistance	180,717	175,685
ISC - Service delivery	-	81,822
ISC - Covid-19 LEDSP	-	57,595
Women's shelter - non-ISC	344,632	225,998
	<hr/> \$ 6,694,423	<hr/> \$ 2,787,542

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

	2023	2022
Canada Mortgage and Housing Corporation 0.68% loan, payable \$484 monthly including interest, due October 1, 2025, one house	\$ 66,882	\$ 72,214
Canada Mortgage and Housing Corporation 1.22% loan, payable \$900 monthly including interest, due May 1, 2026, two houses	119,919	129,213

LENNOX ISLAND FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2023

10. Long-term debt, continued

	2023	2022
Canada Mortgage and Housing Corporation 1.91% loan, payable \$1,013 monthly including interest, due June 1, 2024, two houses	120,716	130,489
Canada Mortgage and Housing Corporation 1.91% loan, payable \$506 monthly including interest, due June 1, 2024, one house	60,347	65,234
Canada Mortgage and Housing Corporation 3.81% loan, payable \$1,101 monthly including interest, due March 1, 2028, two houses	110,233	119,740
Canada Mortgage and Housing Corporation 4.73% loan, payable \$1,450 monthly including interest, due June 1, 2023, four houses	136,503	148,305
Canada Mortgage and Housing Corporation 3.04% loan, payable \$1,022 monthly including interest, due June 1, 2027, three houses	97,561	106,818
Canada Mortgage and Housing Corporation 2.27% loan, payable \$630 monthly including interest, due April 1, 2027, two houses	59,018	65,124
Canada Mortgage and Housing Corporation 1.01% loan, payable \$284 monthly including interest, due August 1, 2026, one house	25,671	28,805
Canada Mortgage and Housing Corporation 1.22% loan, payable \$281 monthly including interest, due May 1, 2026, one house	22,372	25,454
Canada Mortgage and Housing Corporation 1.91% loan, payable \$299 monthly including interest, due on June 1, 2024, one house	19,530	22,714
Canada Mortgage and Housing Corporation 2.5% loan, payable \$299 monthly including interest, due on June 1, 2023, one house	17,673	20,786
Canada Mortgage and Housing Corporation 3.77% loan, payable \$283 monthly including interest, due on February 1, 2027, one house	12,393	15,352

LENNOX ISLAND FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2023

10. Long-term debt, continued

	2023	2022
Canada Mortgage and Housing Corporation 4.65% loan, payable \$928 monthly including interest, due on July 1, 2023, one house	145,127	150,449
Royal Bank of Canada Loan payable, \$19,919 monthly including interest at 6.55% due October 2023, secured a BCR (health centre)	565,541	768,001
Bank of Montreal Prime + 3% loan, payable \$11,336 monthly including interest, amortized until March 2032	1,194,118	1,235,769
Bank of Montreal 3.21% loan, payable \$4,235 monthly including interest, due February 2024, amortized until February, 2036	537,935	570,913
Canada Mortgage and Housing Corporation 1.3% loan, payable \$503 monthly including interest, due April 1, 2026, one house	72,646	77,708
Canada Mortgage and Housing Corporation 1.3% loan, payable \$1,004 monthly including interest, due April 1, 2026, two houses	145,008	155,113
Royal Bank of Canada 4.95% loan, payable \$790 monthly including interest, amortized until December, 2023, secured by a van	6,941	15,838
GMAC Loan payable, \$1,314 monthly including interest at 5.99%, secured by 2018 GMC Sierra 2500 vehicle, due November 2025	37,076	49,399
Royal Bank of Canada 6.86% Fish Pride loan, \$9,875 monthly including interest, due December, 2023, secured by five fishing vessels and a guarantee by LIFN	638,036	715,791
 Current portion	 4,211,246	 4,689,229
	460,000	560,000
 \$ 3,751,246	 \$ 4,129,229	

LENNOX ISLAND FIRST NATION
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10. Long-term debt, continued

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.

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11. Tangible Capital Assets

	Cost	Additions	Disposals	Accumulated amortization	2023 Net book value
Housing and buildings	\$ 26,047,414	\$ 1,554,244	\$ -	\$ 8,744,202	\$ 18,857,457
Vehicles	460,297	135,457	-	395,598	200,156
Computer equipment	81,932	-	-	79,525	2,407
Furniture and fixtures	325,190	21,675	-	210,381	136,485
Equipment	3,025,922	265,057	-	2,139,910	1,151,070
Water and sewer	7,356,603	-	-	3,269,544	4,087,059
Roads and paving	9,065,476	-	-	3,562,040	5,503,436
Fishing boats	1,938,604	-	-	1,750,515	188,089
Motor equipment	580,053	259,146	-	501,310	337,889
School bus	166,155	-	46,455	11,970	107,730
Subdivision	533,871	349,955	-	18,903	864,923
	\$ 49,581,517	\$ 2,585,534	\$ 46,455	\$ 20,683,898	\$ 31,436,701
	Cost	Additions	Disposals	Accumulated amortization	2022 Net book value
Housing and buildings	\$ 23,698,998	\$ 2,348,416	\$ -	\$ 8,055,555	\$ 17,991,860
Vehicles	323,982	136,315	-	327,026	133,271
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	\$ -	\$ 19,344,442	\$ 30,237,075

LENNOX ISLAND FIRST NATION
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12. Prepaid expenses

	2023	2022
Post secondary living allowances	\$ 13,770	\$ 12,425
Fisheries program	66,510	70,903
Other	15,970	13,587
	<hr/> \$ 96,250	<hr/> \$ 96,915

13. Expenses by object

	2023	2022
Wages and benefits	\$ 7,918,530	\$ 7,335,380
Social program payments	779,411	589,449
Programs and activities	5,256,024	3,669,313
Transfers to other programs	84,013	88,147
Tuition and post secondary costs	987,571	882,779
Supplies and services	5,095,619	1,320,565
Interest and bank charges	187,914	97,749
Professional services	189,469	168,943
Contractor services	3,498,222	1,038,309
Commercial fisheries	2,191,445	2,203,167
Other	2,411,515	3,568,648
Amortization	1,358,036	1,320,944
Total	<hr/> \$ 29,957,769	<hr/> \$ 22,283,393

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.

Employees who have been continuously employed on a full-time basis by Lennox Island First Nation since or before February 6, 2015 may be eligible for a retirement allowance once they attain a minimum of fifteen years of service. The allowance is calculated at one week per year of employment based on the employee's earnings level at the date of retirement. Employees hired subsequent to February 6, 2015 do not qualify for the retirement allowance. There has been no liability recorded related to this contingent liability nor has there been any funds set aside to pay out the allowances.

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
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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 \$7,178,660 (2022 - \$2,656,779). 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 moderate.

Liquidity risk

The First Nation does have a liquidity risk in the accounts payable and deferred revenue of \$10,994,471 (2022 - \$4,672,123). 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
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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

	2023	2022
Annual surplus (deficit)	\$ 1,420,574	\$ 4,799,111
Deduct: Federal government capital transfers	(694,445)	(3,346,451)
Deduct: Provincial government capital transfers	-	(80,000)
Deduct: principal payments on loans	(477,984)	(576,773)
Add: Amortization expense included in the annual surplus (non-cash)	<u>1,358,036</u>	1,320,944
Annual surplus net of capital transfers, amortization and principal payments	<u>\$ 1,606,181</u>	\$ 2,116,831