

Serpent River First Nation
Consolidated Financial Statements
For the year ended March 31, 2020

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For the year ended March 31, 2020

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Management's Responsibility for Financial Reporting

March 31, 2020

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

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board. Management is responsible for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The First Nation 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.

The external auditors, BDO Canada LLP, conduct an audit in accordance with Canadian generally accepted auditing standards, and express their opinion on the consolidated financial statements. The external auditors have access to financial management of Serpent River First Nation and meet when required.

DocuSigned by:

Chief Brent Bissailion

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Chief

DocuSigned by:

Candace Martin

Director of Operations



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Independent Auditor's Report

To the Chief and Council of Serpent River First Nation

Opinion

We have audited the consolidated financial statements of Serpent River First Nation (the First Nation), which comprise the consolidated statement of financial position as at March 31, 2020, and the consolidated statement of operations, the consolidated statement of changes in net debt and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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, 2020, and its consolidated results of operations, its consolidated change in net debt, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our 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 unless management either intends to liquidate the First Nation or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report

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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the First Nation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

BAO Canada LLP


Chartered Professional Accountants, Licensed Public Accountants


Sault Ste. Marie, Ontario
April 20, 2021

Serpent River First Nation
Consolidated Statement of Financial Position

March 31	2020	2019
Financial assets		
Cash (Note 2)	\$ 4,027,123	\$ 4,642,558
Accounts receivable (Note 3)	1,536,138	2,493,127
Inventory for resale	910,047	221,153
Investment in government business partnership (Note 4)	-	6,201
Portfolio investments (Note 5)	-	1
Trust Funds held by Federal Government (Note 6)	217,484	213,204
	<u>6,690,792</u>	<u>7,576,244</u>
Liabilities		
Bank indebtedness (Note 7)	7,386	17,179
Accounts payable and accrued liabilities (Note 8)	2,107,919	1,802,699
Due to funders (Note 9)	708,490	791,065
Deferred revenue (Note 10)	1,484,768	2,668,283
Long term debt (Note 11)	4,398,703	3,023,560
	<u>8,707,266</u>	<u>8,302,786</u>
Net debt	<u>(2,016,474)</u>	<u>(726,542)</u>
Non-financial assets		
Tangible capital assets (Schedule 1)	22,755,982	20,772,983
Prepaid expenses and inventory of supplies	28,917	42,129
	<u>22,784,899</u>	<u>20,815,112</u>
Accumulated surplus, end of year (Note 12)	<u>\$ 20,768,425</u>	<u>\$ 20,088,570</u>

On behalf of Council:

DocuSigned by:

 _____ Chief

DocuSigned by:

 _____ Director of Operations

The accompanying notes are an integral part of these consolidated financial statements.

Serpent River First Nation
Consolidated Statement of Operations

For the year ended March 31	Budget	2020	2019
Revenue			
Indigenous Services Canada	\$ 3,927,769	\$ 5,172,697	\$ 4,362,805
Province of Ontario	1,288,668	1,350,421	1,498,787
Government of Canada	1,218,759	1,646,608	1,487,539
OFNLP	-	962,243	1,111,644
North Shore Tribal Council	367,273	855,941	820,474
Interest	-	10,880	19,054
Rental	560,609	674,776	643,638
Residence, parent and user fees	122,514	131,626	124,822
Sales	5,116,615	6,705,523	5,515,816
Other revenue	854,693	1,463,806	976,659
Government of Canada Trust Funds	-	4,280	4,839
Due to Indigenous Services Canada	-	-	(23,378)
Due to other funders	-	109,826	(130,219)
Recovery of prior years	-	21,904	(37,625)
	13,456,900	19,110,531	16,374,855
Expenses			
Niigaaniin project	182,564	579,280	445,125
Domicile	921,250	959,949	904,043
Community wellness	1,894,925	2,165,859	2,061,806
First Nation support funding	620,233	560,107	766,535
Community infrastructure	488,324	1,317,737	1,239,701
Education	2,412,230	2,476,030	2,549,462
Capital programs	281,063	722,915	335,368
Daycare	421,361	527,262	619,046
Other subsidized programs	231,587	1,467,459	1,279,437
First Nation operated enterprises	376,195	933,425	916,970
Economic Development Corporation	5,205,660	6,720,653	5,641,362
	13,035,392	18,430,676	16,758,855
Annual surplus (deficit)	421,508	679,855	(384,000)
Accumulated surplus, beginning of year	20,088,570	20,088,570	20,472,570
Accumulated surplus, end of year	\$ 20,510,078	\$ 20,768,425	\$ 20,088,570

The accompanying notes are an integral part of these consolidated financial statements.

Serpent River First Nation
Consolidated Statement of Changes in Net Debt

For the year ended March 31	Budget	2020	2019
Annual surplus (deficit)	\$ 421,508	\$ 679,855	\$ (384,000)
Acquisition of tangible capital assets	-	(3,372,903)	(295,133)
Amortization of tangible capital assets	-	1,284,494	1,252,629
Loss on disposal of tangible capital assets	-	105,410	9,989
Prepaid expenses and inventory of supplies	-	13,212	2,092
Net change in net debt	421,508	(1,289,932)	585,577
Net debt, beginning of year	(726,542)	(726,542)	(1,312,119)
Net debt, end of year	\$ (305,034)	\$ (2,016,474)	\$ (726,542)

The accompanying notes are an integral part of these consolidated financial statements.

Serpent River First Nation
Consolidated Statement of Cash Flows

For the year ended March 31	2020	2019
Operating transactions		
Annual surplus (deficit)	\$ 679,855	\$ (384,000)
Items not involving cash		
Amortization	1,284,494	1,252,629
Gain on disposal of tangible capital assets	105,410	9,989
	<u>2,069,759</u>	<u>878,618</u>
Changes in non-cash working capital balances		
Accounts receivable	956,989	(310,344)
Inventory for resale	(688,894)	(31,810)
Investment in government business partnership	6,202	-
Funds held in trust with Government of Canada	(4,280)	(4,839)
Accounts payable	305,220	(492,413)
Deferred revenue	(1,183,515)	1,342,407
Due to funders	(82,575)	67,793
Prepaid expenses and inventory of supplies	13,212	2,092
	<u>1,392,118</u>	<u>1,451,504</u>
Capital transactions		
Acquisition of tangible capital assets	(3,372,903)	(295,133)
Financing transactions		
Advances of long term debt	1,909,408	126,537
Repayment of long term debt	(534,265)	(517,895)
Demand loan	(9,793)	(8,652)
	<u>1,365,350</u>	<u>(400,010)</u>
Net change in cash and equivalents	(615,435)	756,361
Cash and cash equivalents, beginning of year	4,642,558	3,886,197
Cash and cash equivalents, end of year	\$ 4,027,123	\$ 4,642,558

The accompanying notes are an integral part of these consolidated financial statements.

Serpent River First Nation

Notes to Consolidated Financial Statements

March 31, 2020

1. Summary of significant accounting policies

Accounting Principles	These consolidated financial statements of the Serpent River First Nation have been prepared in accordance with Canadian public sector accounting standards prescribed for governments, as recommended by the Public Sector Accounting Board.																
Basis of Consolidation	<p>These financial statements reflect the assets, liabilities, revenues and expenses of all programs under the control of Chief and Council.</p> <p>All controlled entities are fully consolidated on a line-by-line basis except for commercial enterprises which meet the definition of a government business enterprise, which are included in the consolidated financial statements on a modified equity basis. Inter-organizational balances and transactions are eliminated upon consolidation.</p> <p>Under the modified equity method of accounting, only Serpent River First Nation's portion of the enterprise's net income and other changes in equity are recorded. No adjustment is made for accounting policies of the enterprise that are different from those of the First Nation, and inter-organizational balances and transactions are not eliminated.</p> <p>Organizations consolidated include:</p> <ul style="list-style-type: none">- Serpent River First Nation Economic Development Corporation- Serpent River First Nation Non-Profit Housing <p>Serpent River First Nation has invested for a 50% investment in M'Anishnabek Industries Limited Partnership. The First Nation accounts for its investment in this government business partnership using the modified equity method.</p>																
Portfolio Investments	Portfolio investments are recorded at cost. They are written down where there has been a loss in value that is other than a temporary decline.																
Tangible Capital Assets	<p>Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is available for productive use as follows:</p> <table><tr><td>Land improvements</td><td>10 to 20 years</td></tr><tr><td>Buildings</td><td>25 to 40 years</td></tr><tr><td>Housing</td><td>25 years</td></tr><tr><td>Machinery and equipment</td><td>10 to 20 years</td></tr><tr><td>Vehicles</td><td>5 years</td></tr><tr><td>Furniture and equipment</td><td>4 to 10 years</td></tr><tr><td>Power generating station</td><td>30 to 50 years</td></tr><tr><td>Infrastructure</td><td>10 to 100 years</td></tr></table>	Land improvements	10 to 20 years	Buildings	25 to 40 years	Housing	25 years	Machinery and equipment	10 to 20 years	Vehicles	5 years	Furniture and equipment	4 to 10 years	Power generating station	30 to 50 years	Infrastructure	10 to 100 years
Land improvements	10 to 20 years																
Buildings	25 to 40 years																
Housing	25 years																
Machinery and equipment	10 to 20 years																
Vehicles	5 years																
Furniture and equipment	4 to 10 years																
Power generating station	30 to 50 years																
Infrastructure	10 to 100 years																
Inventory	Inventory is stated at the lower of cost and net realizable value. Cost is generally determined on the first-in, first-out basis.																

Serpent River First Nation Notes to Consolidated Financial Statements

March 31, 2020

1. Summary of significant accounting policies *(continued)*

Revenue Recognition	<p>Revenue is recognized in the period in which the transactions or events occurred that gave rise to the revenue. All revenue is recorded on an accrual basis.</p> <p>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.</p> <p>Contributions, other than government transfers, are deferred when restrictions are placed on their use by the external contributor, and are recognized as revenue when used for the specific purpose.</p> <p>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.</p>
Use of Estimates	<p>The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.</p>

2. Cash

The First Nation has a Bank of Nova Scotia line of credit limit of \$750,000 at prime plus 1% of which nil was outstanding at March 31, 2020. \$200,000 of this limit has been carved-out to be utilized by Serpent River First Nation Economic Development Corporation, of which \$55,719 was outstanding at March 31, 2020.

The First Nation has a Bank of Montreal demand loan limit of \$1,500,000 at prime plus 1%. On March 31, 2020, nothing was drawn on the loan.

3. Accounts receivable

	2020	2019
Indigenous Services Canada	\$ 17,251	\$ 1,265,915
Province of Ontario	339,861	255,543
Health Canada	44,803	68,644
CMHC	171,641	56,372
North Shore Tribal Council / Niigaaniin	250,361	295,738
Due from members	1,060,724	731,722
Other	424,097	560,132
	2,308,738	3,234,066
Less: allowance for doubtfuls	(772,600)	(740,939)
	\$ 1,536,138	\$ 2,493,127

Serpent River First Nation Notes to Consolidated Financial Statements

March 31, 2020

4. Investment - Government Business Partnership

The First Nation has invested for a 50% partnership interest in M'Anishnabek Industries Limited Partnership for the purpose of exploring business opportunities related to a quarry and rail spur.

The investment at March 31, 2020 consists of the following:

	2020	2019
M'Anishnabek Industries Limited Partnership		
Limited partner unit (1 of 2 units issued)	\$ -	1
First Nation's share of earnings	-	6,200
	<u>\$ -</u>	<u>\$ 6,201</u>

Financial information for M'Anishnabek Industries Limited Partnership for its March 31 fiscal year-end is not available as the partnership has been inactive since 2014. In fiscal year end 2020 the partnership was dissolved.

5. Portfolio Investments

	2020	2019
M'Anishnabek Industries General Partner Limited		
Common share (51 of 100 shares issued)	\$ -	\$ 1

In fiscal year end 2020 the partnership was dissolved.

6. Trust Funds held by Federal Government

	March 31, 2019	Additions 2020	Withdrawals 2020	March 31, 2020
Revenue	\$ 106,833	\$ 4,280	\$ -	\$ 111,113
Capital	106,371	-	-	106,371
	<u>\$ 213,204</u>	<u>\$ 4,280</u>	<u>\$ -</u>	<u>\$ 217,484</u>

The trust funds arise from monies derived from capital or revenue sources as outlined in Section 62 of the Indian Act. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada. The management of these funds is primarily governed by Section 63 to 69 of the Indian Act.

7. Bank indebtedness

	2020	2019
Bank loans (BMO Bank prime + 0.5%), due on demand, secured by house	<u>\$ 7,386</u>	<u>\$ 17,179</u>

Serpent River First Nation
Notes to Consolidated Financial Statements

March 31, 2020

8. Accounts payable and accrued liabilities

	2020	2019
Trade payables	\$ 696,915	\$ 1,027,255
Elementary and Secondary tuition payables	1,411,004	775,444
	\$ 2,107,919	\$ 1,802,699

9. Due to funders

	2020	2019
Indigenous Services Canada	\$ 489,964	\$ 588,897
Province of Ontario	99,918	85,109
Union of Ontario Indians	118,608	117,059
	\$ 708,490	\$ 791,065

10. Deferred revenue and government transfers

	Balance March 31, 2019	Funding Received 2020	Revenue Recognized 2020	Balance March 31, 2020
Indigenous Services Canada	\$ 2,276,877	\$ 3,969,369	\$ 5,172,697	\$ 1,073,549
Health Canada	169,131	1,297,363	1,318,332	148,162
CMHC	-	322,396	322,396	-
ESDC	-	5,880	5,880	-
Province of Ontario	-	1,350,421	1,350,421	-
North Shore Tribal Council	-	880,941	855,941	25,000
Other	222,275	9,968,916	9,953,134	238,057
Due from (to) funders	-	109,826	109,826	-
Recovery of prior years	-	21,904	21,904	-
	\$ 2,668,283	\$ 17,927,016	\$ 19,110,531	\$ 1,484,768

Deferred revenue is broken down by program as follows:

	2020	2019
Social Assistance - Niigaaniin Project	\$ 25,000	\$ -
Community Wellness - Family & Preservation	234,210	158,027
Community Wellness - Health Transfers	128,125	179,928
Community Wellness - Jordan's Principle	26,841	-
Community Wellness - Community Support	146,386	150,779
Community Wellness - Diabetes	-	8,561
Community Wellness - Aunties and Gramma's	78,200	-
Capital Programs - Minor Capital	6,680	2,319
Capital Programs - ISC Renovations	-	1,244,814
Capital Programs - Capital Water Project	767,222	871,717
Daycare - Early Childhood Development	6,667	4,750
Other Subsidized - Community Garden	-	47,388
Community Infrastructure - Road Maintenance	65,437	-
	\$ 1,484,768	\$ 2,668,283

Serpent River First Nation
Notes to Consolidated Financial Statements

March 31, 2020

11. Long term debt

	<u>2020</u>	<u>2019</u>
Bank of Nova Scotia		
4.75% mortgage, due in monthly instalments of \$1,025 including principal and interest, maturing June 1, 2019, secured by Government of Canada guarantee	\$ 4,060	\$ 15,866
3.09% mortgage due in monthly instalments of \$1,296 including principal and interest, maturing March 1, 2020, secured by Government of Canada guarantee	7,706	22,768
Prime plus 1.50% mortgage due in monthly payments of \$6,600 principal plus interest, maturing Aug 1, 2020 secured by general security agreement	422,400	501,600
Prime plus 1.00% loan due in monthly instalments of \$6,083 principal plus interest, secured by general security agreement	480,583	559,667
Canada Mortgage and Housing Corporation		
1.92% mortgage due in monthly instalments of \$3,613 including principal and interest, maturing July 1, 2019, secured by Government of Canada guarantee	-	14,405
0.99% mortgage due in monthly instalments of \$2,934 including principal and interest, maturing March 1, 2020	2,934	35,022
1.46% mortgage due in monthly instalments of \$1,981 including principal and interest, maturing March 1, 2022	46,826	69,728
1.39% mortgage due in monthly instalments of \$2,016 including principal and interest, maturing June 1, 2020, secured by Government of Canada guarantee	116,819	139,223
1.01% mortgage due in monthly instalments of \$2,596 including principal and interest, maturing February 1, 2021, secured by Government of Canada guarantee	173,971	203,208
1.03% mortgage due in monthly instalments of \$2,642 including principal and interest, maturing November 1, 2021, secured by Government of Canada guarantee	194,339	223,880
2.35% mortgage due in monthly instalments of \$2,869 including principal and interest, maturing February 1, 2028, secured by Government of Canada guarantee	248,601	276,840
1.44% mortgage due in monthly instalments of \$4,174 including principal and interest, maturing January 1, 2022, secured by Government of Canada guarantee	90,556	138,959

Serpent River First Nation
Notes to Consolidated Financial Statements

March 31, 2020

11. Long term debt (continued)

	<u>2020</u>	<u>2019</u>
1.85% mortgage due in monthly instalments of \$1,259 including principal and interest, maturing August 1, 2019, secured by Government of Canada guarantee	\$ 189,158	\$ 200,652
1.11% mortgage due in monthly instalments of \$2,294 including principal and interest, maturing April 1, 2021, secured by Government of Canada guarantee	405,457	428,352
Royal Bank of Canada		
3.52% mortgage due in monthly instalments of \$1,815 including principal and interest, maturing August 18, 2023, secured by Government of Canada guarantee	63,737	82,896
Other		
Waubetek Business Development Corporation mortgage, repayable \$2,887 monthly including interest at prime 7.45%, maturing January 2030	240,771	-
Capital lease payable, \$1,695 monthly payments, secured by machinery and equipment, payments including principal and interest at 7.96%, maturing August 2023	59,363	74,318
Ford Credit loan payable, \$642 monthly including principal and interest at 2.49%, maturing March 2024	29,296	36,176
John Deere loan payable, \$3,112 monthly including interest at 4.50%, maturing September 2024	151,867	-
RBC Mortgage, repayable \$15,601 monthly including interest at 4.58% maturing January 2030	1,470,259	-
	<u>\$ 4,398,703</u>	<u>\$ 3,023,560</u>

Assuming refinancing of mortgages under similar terms, principal payments due within the next five years are approximately as follows:

Year	Amount
2021	\$ 597,293
2022	588,675
2023	537,159
2024	518,331
2025	520,633
Thereafter	<u>1,636,612</u>
	<u>\$ 4,398,703</u>

Serpent River First Nation
Notes to Consolidated Financial Statements

March 31, 2020

12. Accumulated surplus

	2020	2019
Reserves set aside for specific purposes by the First Nation		
Non-Profit Housing replacement reserve	\$ 407,469	\$ 412,951
Casino & gaming	3,319,013	3,551,080
Health transfers replacement reserve (MAR)	26,008	26,008
Health transfers	13,044	13,044
Quality of life	2,095	2,095
School bus	-	3,139
Band support funding	274,372	243,465
Niigaaniin	19,269	102,470
Education	83,433	29,364
Road maintenance	77,222	77,222
Water	-	24,453
Fire protection	69,581	61,033
Capital plan	35,520	35,520
Office complex	233,830	113,043
Food bank	42,670	26,492
Library	50,331	38,761
Lands research	11,660	11,660
Capital housing	-	6,703
Daycare	155,844	86,781
Domicile	14,390	23,737
Band housing	563	3,026
Reserves	4,836,314	4,892,047
Equity in tangible capital assets	18,357,276	17,749,424
Equity in government business partnerships	-	6,201
Funds held in trust	217,484	213,204
Members' equity (deficit)	(2,642,649)	(2,772,306)
	\$ 20,768,425	\$ 20,088,570
Allocation of annual surplus (deficit):		
Reserves	\$ (55,734)	\$ 509,943
Equity in tangible capital assets	607,856	(576,126)
Members' equity (deficit)	129,654	(322,656)
Equity in government business partnerships	(6,201)	-
Funds held in trust	4,280	4,839
	\$ 679,855	\$ (384,000)

Serpent River First Nation

Notes to Consolidated Financial Statements

March 31, 2020

13. Pension plan costs

Employees are eligible to participate in a Registered Pension Plan, administered by London Life, with contribution levels determined by formula. Employer contributions totalled \$105,188 (2019 - \$91,983) during the current period and were fully expensed.

14. Contingencies

- (a) The First Nation has an agreement with the Bank of Montreal providing for an aggregate credit facility in the amount of \$2,400,000 under the First Nation on Reserve Loan Program for qualified members of Serpent River First Nation. As of March 31, 2020 the First Nation has not guaranteed any loans under this agreement.
 - (b) Serpent River First Nation has guaranteed a Bank of Montreal loan for \$113,932 of which \$12,920 was outstanding at March 31, 2020, on behalf of a First Nation member.
 - (c) The First Nation has provided a guarantee in the amount of \$311,750 in favour of the Bank of Montreal on behalf of Robinson Huron Treaty Ojibewa (Anishinabe). This represents 4.3% of the total loan of \$7,250,000 being guaranteed by 21 participating First Nation Communities that are settlers and beneficiaries of the Robinson Huron Treaty Trust.
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15. Funding reconciliation

Indigenous Services Canada funding per the financial statements	\$ 5,172,697
Add: Band Representative Services 2019 cost reimbursement	43,550
Less: Deferred revenue, beginning of year	(2,276,877)
Add: Deferred revenue, end of year	1,073,549
	<u>\$ 4,012,919</u>
Indigenous Services Canada funding per funding confirmation	<u>\$ 4,012,919</u>

16. COVID-19

Subsequent to the year-end, the impact of COVID-19 in Canada and on the global economy increased significantly.

The restrictions put in place by Canadian, provincial, municipal and First Nation communities regarding travel and social distancing has impacted the delivery of programs administered by the organization most of which are considered essential services. Indigenous Services Canada has approved the carry-forward of unexpended funding as of March 31, 2020 for fixed, flex and set funding. One time funding has also been approved to assist with the additional costs associated with PPE for the safety of its employees and patrons.

At this time, it is unknown the full extent the impact the COVID-19 outbreak will have on the First Nation as this will depend on future developments that are highly uncertain. Management is actively monitoring the effect on its financial condition and liquidity.

17. Segmented information

The Serpent River First Nation is a diversified government institution that provides a wide range of services to its members, including education, infrastructure maintenance, medical and other health services, administration, capital, enterprises and other services. For management reporting purposes the First Nation's operations and activities are organized and reported by department. Departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

Serpent River First Nation

Notes to Consolidated Financial Statements

March 31, 2020

17. Segmented information (continued)

Niigaaniin

The Niigaaniin (social assistance) department is responsible for administering assistance payments as well as providing services directed towards members.

Administration

The administration department oversees the delivery of all governmental services. The department is responsible for ensuring that there are adequate policies and procedures in place to safeguard assets and to properly report financial activities. In addition, this department includes the governance activities of chief and council.

Community infrastructure

The infrastructure department provides public services that contribute to community development and sustainability through the provision of operating services such as roads, water and sanitation, fire protection and community buildings.

Education

The education department provides services to elementary and secondary students primarily by entering into service contracts with provincially funded area school boards, as well as native language study. In addition, the department reimburses tuition costs and provides living and other allowances to students who are attending post-secondary institutions.

Capital

This department is responsible for all capital asset activities occurring in the First Nation during the year, including housing construction and renovations.

Medical and other health services

The community wellness department provides a diverse bundle of services directed towards the well-being of members including such activities as long term care (Domicile), medical transportation, pre-natal and early childhood care, nursing, health representation, traditional healing, family violence prevention and many other smaller programs designed to enhance the health of members.

Enterprises

Band operated enterprises are activities conducted by the First Nation with the objective of promoting economic self-sufficiency. These activities could include income generated from renting out band-owned equipment, lease income, economic development and other projects from time to time.

Other services

The First Nation provides a wide array of other services, including youth employment projects, library, daycare, housing activities, lands research and others.

For each reported segment, revenues and expenses include amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information, including transfers that have been apportioned based on a percentage of budgeted expenses.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in the summary of significant accounting policies. For additional information see the Consolidated Schedule of Segment Disclosure - Service (Schedule 2).

Serpent River First Nation
Notes to Consolidated Financial Statements

March 31, 2020

18. Budget

The budget adopted by the First Nation was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Public Sector Accounting Standards now require a full accrual basis. The budget figures anticipated use of reserves to reduce current year expenditures. In addition, the budget expensed all tangible capital expenditures rather than including amortization expense, and expensed principal payments of debt. As a result, the budget figures presented in the statements of operations and change in net debt represent the budget adopted by the First Nation with adjustments as follows:

Budget deficit for the year	\$ 12,371
Add:	
Capital expenditures	8,685
Principal portion of loan payments	<u>400,452</u>
Budget deficit per statement of operations	<u>\$ 421,508</u>

Serpent River First Nation
Schedule 1 - Consolidated Tangible Capital Assets

For the year ended March 31, 2020

	Land	Land Improve- ments	Building	Housing	Machinery and Equipment	Vehicles	Furniture and Equipment	Power Generating Station	Infra- structure	Construction in Progress	Total
Cost, beginning of year	\$ 180,001	\$ 636,123	\$ 11,291,227	\$ 12,856,093	\$ 1,032,017	\$ 755,375	\$ 1,078,682	\$ 352,986	\$ 16,049,862	\$ -	\$ 44,232,366
Accumulated amortization, beginning of year	-	410,561	4,504,678	9,858,771	484,410	491,910	595,647	235,323	3,889,557	-	20,470,857
Amortization	-	43,204	271,023	341,195	75,696	67,168	65,587	11,766	408,855	-	1,284,494
Disposals	-	-	-	(122,152)	(146,679)	-	(10,136)	-	-	-	(278,967)
Accumulated amortization, end of year	-	453,765	4,775,701	10,077,814	413,427	559,078	661,098	247,089	4,298,412	-	21,476,384
Net carrying amount, end of year	\$ 180,001	\$ 182,358	\$ 6,515,526	\$ 2,778,279	\$ 618,590	\$ 196,297	\$ 427,584	\$ 105,897	\$ 11,751,450	\$ -	\$ 22,755,982

The accompanying notes are an integral part of these consolidated financial statements.

Serpent River First Nation
Schedule 1 - Consolidated Tangible Capital Assets (continued)

For the year ended March 31, 2019 (comparative figures)

	Land	Land Improve- ments	Buildings	Housing	Machinery and Equipment	Vehicles	Furniture and Equipment	Power Generating Station	Infra- structure	Construction in Progress	Total
Cost, beginning of year	1	\$ 636,123	\$ 10,275,578	\$ 11,685,736	\$ 878,592	\$ 470,198	\$ 743,833	\$ 352,986	\$ 16,061,434	\$ -	\$ 41,104,481
Additions	-	-	-	-	-	159,233	67,457	-	68,443	-	295,133
Disposals	-	-	-	-	(68,661)	-	(7,098)	-	(80,015)	-	(155,774)
Cost, end of year	1	\$ 636,123	\$ 10,275,578	\$ 11,685,736	\$ 809,931	\$ 629,431	\$ 804,192	\$ 352,986	\$ 16,049,862	\$ -	\$ 41,243,840
Accumulated amortization, beginning of year	-	367,357	4,254,478	9,511,738	491,181	444,077	544,415	223,557	3,527,210	-	19,384,013
Amortization	-	43,204	250,200	347,033	60,890	47,833	51,942	11,766	439,761	-	1,252,629
Disposals	-	-	-	-	(67,661)	-	(710)	-	(77,414)	-	(145,785)
Accumulated amortization, end of year	-	410,561	4,504,678	9,858,771	484,410	491,910	595,647	235,323	3,889,557	-	20,470,857
Net carrying amount, end of year	1	\$ 225,562	\$ 5,770,900	\$ 1,826,965	\$ 325,521	\$ 137,521	\$ 208,545	\$ 117,663	\$ 12,160,305	\$ -	\$ 20,772,983

The accompanying notes are an integral part of these consolidated financial statements.

Serpent River First Nation

Schedule 2 - Consolidated Segment Disclosure

For the year ended March 31, 2020

	Niigaaniin	Administration	Infrastructure	Community	Education	Capital	Medical	Enterprises	Other	Consolidated Total
Revenue										
Indigenous Services Canada	\$ -	\$ 353,872	\$ 274,025	\$ 2,358,952	\$ 1,743,976	\$ 260,587	\$ 42,000	\$ 139,285	\$ 5,172,697	
Province of Ontario	-	-	115,200	-	-	773,728	-	461,493	1,350,421	
Government of Canada	-	-	10,000	-	108,800	1,299,332	213,596	14,880	1,646,608	
Rental and user fees	-	-	27,315	-	-	101,871	674,776	19,745	823,707	
Interest and other	548,129	255,685	9,814	19,942	17,013	702,248	7,049,331	1,383,206	9,985,368	
Due (to) from funders	-	-	-	147,198	-	(37,372)	-	-	109,826	
Recovery of prior years	-	-	-	3,769	-	(2,879)	-	21,014	21,904	
	548,129	609,557	436,354	2,529,861	1,869,789	3,097,515	7,979,703	2,039,623	19,110,531	
Expenses										
Salaries, wages and benefits	133,334	627,962	193,519	219,892	264,306	1,977,212	602,311	873,751	4,892,287	
Materials, supplies and capital	111,779	10,205	260,652	25,535	115,938	422,861	6,105,740	104,551	7,157,261	
Contracted services	3,439	183,789	336,962	212,774	233,347	176,933	292,185	29,728	1,489,157	
Rents and financial expenses	-	29,262	13,268	-	28,672	60,539	276,083	1,719	409,543	
External transfers and other	326,309	31,913	-	1,985,558	-	-	-	656,902	2,968,769	
Travel and training	12,343	4,343	8,790	2,031	9,266	115,502	44,010	25,311	249,166	
Amortization	10,327	4,343	473,078	238	59,992	194,533	516,318	25,664	1,284,493	
Transfers between segments	(18,250)	(327,368)	31,466	30,000	11,394	178,226	(182,568)	277,100	-	
	579,281	560,106	1,317,735	2,476,028	722,915	3,125,806	7,654,079	1,994,726	18,430,676	
Excess (deficiency) of revenue over expenses	\$ (31,152)	\$ 49,451	\$ (881,381)	\$ 53,833	\$ 1,146,874	\$ (28,291)	\$ 325,624	\$ 44,897	\$ 679,855	

The accompanying notes are an integral part of these consolidated financial statements.

Serpent River First Nation

Schedule 2 - Consolidated Segment Disclosure (continued)

For the year ended March 31, 2019 (comparative figures)

	Niigaaniin	Administration	Community Infrastructure	Education	Capital	Medical	Enterprises	Other	Consolidated Total
Revenue									
Indigenous Services Canada	\$	\$	\$	\$	\$	\$	\$	\$	\$
Province of Ontario	-	662,728	388,963	2,443,638	426,775	288,543	42,000	110,158	4,362,805
Government of Canada	-	86,365	57,600	-	-	835,944	-	518,878	1,498,787
Rental and user fees	-	-	9,240	-	26,842	1,067,080	228,982	155,395	1,487,539
Interest and other	-	-	26,887	-	-	87,845	643,638	20,945	779,315
Due (to) from funders	479,283	132,830	19,544	1,350	12,548	720,721	5,588,164	1,483,191	8,437,631
Recovery of prior years	-	-	-	(23,378)	-	(130,219)	-	-	(153,597)
	-	-	-	311	-	(1,375)	-	(36,561)	(37,625)
	479,283	881,923	502,234	2,421,921	466,165	2,868,539	6,502,784	2,252,006	16,374,855
Expenses									
Salaries, wages and benefits	89,296	697,083	197,067	229,233	246,417	1,750,689	583,873	858,853	4,652,511
Materials, supplies and capital	81,420	110,056	131,841	27,790	12,512	480,512	5,068,713	233,418	6,146,262
Contracted services	3,542	166,547	355,602	205,725	90,379	147,164	206,816	172,641	1,348,416
Rents and financial expenses	-	32,363	3,138	-	24,353	17,786	126,737	829	205,206
External transfers and other	253,281	-	-	2,058,793	-	-	-	553,726	2,865,800
Travel and training	9,947	41,519	12,870	4,331	1,803	150,421	52,553	14,587	288,031
Amortization	889	2,395	507,718	6,091	5,814	179,799	525,217	24,706	1,252,629
Transfers between segments	6,750	(283,431)	31,466	17,500	(45,911)	239,478	(5,575)	39,723	-
	445,125	766,532	1,239,702	2,549,463	335,367	2,965,849	6,558,334	1,898,483	16,758,855
Excess (deficiency) of revenue over expenses	\$	\$	\$	\$	\$	\$	\$	\$	\$
	34,158	115,391	(737,468)	(127,542)	130,798	(97,310)	(55,550)	353,523	(384,000)

The accompanying notes are an integral part of these consolidated financial statements.