

**Serpent River First Nation
Consolidated Financial Statements
For the year ended March 31, 2021**

**Serpent River First Nation
Consolidated Financial Statements
For the year ended March 31, 2021**

Contents

| | |
|--|----------|
| Management's Responsibility for Financial Reporting | 2 |
| Independent Auditor's Report | 3 |
| Consolidated Financial Statements | |
| Statement of Financial Position | 5 |
| Statement of Operations | 6 |
| Statement of Changes in Net Debt | 7 |
| Statement of Cash Flows | 8 |
| Notes to Financial Statements | 9 |
| Schedule 1 - Tangible Capital Assets | 19 |
| Schedule 2 - Consolidated Segment Disclosure | 22 |

Management's Responsibility for Financial Reporting

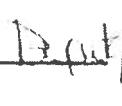
March 31, 2021

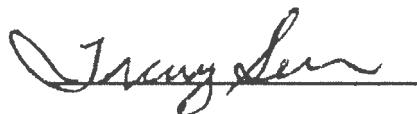
The accompanying consolidated financial statements of the Serpent River First Nation are the responsibility of management and have been approved by the Chief and Council.

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.

  Chief

 Director of Operations

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, 2021, 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, 2021, 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.

BDO Canada LLP

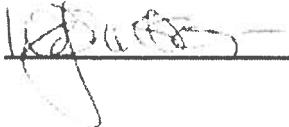
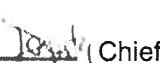
Chartered Professional Accountants, Licensed Public Accountants

Sault Ste. Marie, Ontario
September 13, 2022

Serpent River First Nation
Consolidated Statement of Financial Position

| March 31 | 2021 | 2020 |
|---|----------------------|----------------------|
| Financial assets | | |
| Cash (Note 2) | \$ 4,705,610 | \$ 4,027,123 |
| Accounts receivable (Note 3) | 2,786,484 | 1,536,138 |
| Inventory for resale | 831,753 | 910,047 |
| Trust Funds held by Federal Government (Note 4) | <u>221,696</u> | <u>217,484</u> |
| | <u>8,545,543</u> | <u>6,690,792</u> |
| Liabilities | | |
| Bank indebtedness (Note 5) | - | 7,386 |
| Accounts payable and accrued liabilities (Note 6) | 2,584,889 | 2,107,919 |
| Due to funders (Note 7) | 854,971 | 708,490 |
| Deferred revenue (Note 8) | 1,929,921 | 1,484,768 |
| Long term debt (Note 9) | <u>3,815,285</u> | <u>4,398,703</u> |
| | <u>9,185,066</u> | <u>8,707,266</u> |
| Net debt | (639,523) | (2,016,474) |
| Non-financial assets | | |
| Tangible capital assets (Schedule 1) | 22,342,651 | 22,755,982 |
| Prepaid expenses and inventory of supplies | <u>74,528</u> | <u>28,917</u> |
| | <u>22,417,179</u> | <u>22,784,899</u> |
| Accumulated surplus (Note 10) | \$ 21,777,656 | \$ 20,768,425 |

On behalf of Council:

  Chief

 Tracy L. L. Johnson Director of Operations

**Serpent River First Nation
Consolidated Statement of Operations**

| <u>For the year ended March 31</u> | <u>Budget</u> | <u>2021</u> | <u>2020</u> |
|---|----------------------|----------------------|----------------------|
| Revenue | | | |
| Indigenous Services Canada | \$ 3,927,769 | \$ 4,968,179 | \$ 5,172,697 |
| Province of Ontario | 1,288,668 | 1,917,265 | 1,350,421 |
| Government of Canada | 1,218,759 | 1,451,823 | 1,646,608 |
| OFNLP | - | 937,810 | 962,243 |
| North Shore Tribal Council | 367,273 | 625,774 | 855,941 |
| Interest | - | 2,203 | 10,880 |
| Rental | 560,609 | 662,797 | 674,776 |
| Residence, parent and user fees | 122,514 | 104,390 | 131,626 |
| Sales | 5,116,615 | 5,235,624 | 6,705,523 |
| Other revenue | 854,693 | 1,325,285 | 1,463,806 |
| Government of Canada Trust Funds | - | 4,212 | 4,280 |
| Due to other funders | - | (140,544) | 109,826 |
| Recovery of prior years | - | (2,279) | 21,904 |
| | <hr/> | <hr/> | <hr/> |
| | 13,456,900 | 17,092,539 | 19,110,531 |
| Expenses | | | |
| Niigaaniin project | 182,564 | 483,719 | 579,280 |
| Domicile | 921,250 | 933,681 | 959,949 |
| Community wellness | 1,894,925 | 2,164,664 | 2,165,859 |
| First Nation support funding | 620,233 | 951,865 | 560,107 |
| Community infrastructure | 488,324 | 1,173,459 | 1,317,737 |
| Education | 2,412,230 | 2,375,313 | 2,476,030 |
| Capital programs | 281,063 | 802,782 | 722,915 |
| Daycare | 421,361 | 545,507 | 527,262 |
| Other subsidized programs | 231,587 | 251,619 | 1,467,459 |
| First Nation operated enterprises | 376,195 | 816,537 | 933,425 |
| Economic Development Corporation | 5,205,660 | 5,584,162 | 6,720,653 |
| | <hr/> | <hr/> | <hr/> |
| | 13,035,392 | 16,083,308 | 18,430,676 |
| Annual surplus | 421,508 | 1,009,231 | 679,855 |
| Accumulated surplus, beginning of year | 20,768,425 | 20,768,425 | 20,088,570 |
| Accumulated surplus, end of year | \$ 21,189,933 | \$ 21,777,656 | \$ 20,768,425 |

Serpent River First Nation
Consolidated Statement of Changes in Net Debt

| <u>For the year ended March 31</u> | <u>Budget</u> | <u>2021</u> | <u>2020</u> |
|---|-----------------------|---------------------|-----------------------|
| Annual surplus | \$ 421,508 | \$ 1,009,231 | \$ 679,855 |
| Acquisition of tangible capital assets | - | (904,092) | (3,372,903) |
| Amortization of tangible capital assets | - | 1,312,601 | 1,284,494 |
| Loss on disposal of tangible capital assets | - | 4,822 | 105,410 |
| Prepaid expenses and inventory of supplies | - | (45,611) | 13,212 |
| Net change in net debt | 421,508 | 1,376,951 | (1,289,932) |
| Net debt, beginning of year | (2,016,474) | (2,016,474) | (726,542) |
| Net debt, end of year | \$ (1,594,966) | \$ (639,523) | \$ (2,016,474) |

**Serpent River First Nation
Consolidated Statement of Cash Flows**

| <u>For the year ended March 31</u> | <u>2021</u> | <u>2020</u> |
|---|---------------------|---------------------|
| Operating transactions | | |
| Annual surplus | \$ 1,009,231 | \$ 679,855 |
| Items not involving cash | | |
| Amortization | 1,312,601 | 1,284,494 |
| Gain on disposal of tangible capital assets | <u>4,822</u> | <u>105,410</u> |
| | 2,326,654 | 2,069,759 |
| Changes in non-cash working capital balances | | |
| Accounts receivable | (1,250,346) | 956,989 |
| Inventory for resale | 78,294 | (688,894) |
| Investment in government business partnership | - | 6,202 |
| Funds held in trust with Government of Canada | (4,212) | (4,280) |
| Accounts payable | 476,970 | 305,220 |
| Deferred revenue | 445,153 | (1,183,515) |
| Due to funders | 146,481 | (82,575) |
| Prepaid expenses and inventory of supplies | <u>(45,611)</u> | <u>13,212</u> |
| | 2,173,383 | 1,392,118 |
| Capital transactions | | |
| Acquisition of tangible capital assets | (904,092) | (3,372,903) |
| Financing transactions | | |
| Advances of long term debt | - | 1,909,408 |
| Repayment of long term debt | (583,418) | (534,265) |
| Demand loan | <u>(7,386)</u> | <u>(9,793)</u> |
| | (590,804) | 1,365,350 |
| Net change in cash and equivalents | 678,487 | (615,435) |
| Cash and cash equivalents, beginning of year | 4,027,123 | 4,642,558 |
| Cash and cash equivalents, end of year | \$ 4,705,610 | \$ 4,027,123 |

Serpent River First Nation Notes to Consolidated Financial Statements

March 31, 2021

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 | | | | | | | | | | | | | | | | |
| 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><tbody><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></tbody></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, 2021

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 the \$750,000 limit, \$200,000 has been carved-out to be utilized by Serpent River First Nation Economic Development Corporation, of which \$146,776 was outstanding at March 31, 2021.

The First Nation has a Bank of Montreal demand loan limit of \$1,500,000 at prime plus 1%. On March 31, 2021, nothing was drawn on the loan.

Serpent River First Nation
Notes to Consolidated Financial Statements

March 31, 2021

3. Accounts receivable

| | 2021 | 2020 |
|---|----------------------------|----------------------------|
| Indigenous Services Canada | \$ 81,816 | \$ 17,251 |
| Province of Ontario | 720,669 | 339,861 |
| Health Canada | 34,959 | 44,803 |
| CMHC | 180,550 | 171,641 |
| North Shore Tribal Council / Niigaaniin | 257,439 | 250,361 |
| Ontario First Nations Limited Partnership | 624,248 | - |
| Due from members | 859,467 | 793,415 |
| Other | <u>855,576</u> | <u>691,406</u> |
| | 3,614,724 | 2,308,738 |
| Less: allowance for doubtfuls | <u>(828,240)</u> | <u>(772,600)</u> |
| | <u><u>\$ 2,786,484</u></u> | <u><u>\$ 1,536,138</u></u> |

4. Trust Funds held by Federal Government

| | March 31, 2020 | Additions 2021 | Withdrawals 2021 | March 31, 2021 |
|---------|--------------------------|------------------------|---------------------|--------------------------|
| Revenue | \$ 111,113 | \$ 4,212 | - | \$ 115,325 |
| Capital | <u>106,371</u> | <u>-</u> | <u>-</u> | <u>106,371</u> |
| | <u><u>\$ 217,484</u></u> | <u><u>\$ 4,212</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 221,696</u></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.

5. Bank indebtedness

| | 2021 | 2020 |
|--|-------------|-------------|
| Bank loans (BMO Bank prime + 0.5%), due on demand, secured by house | \$ - | \$ 7,386 |

6. Accounts payable and accrued liabilities

| | 2021 | 2020 |
|---|----------------------------|----------------------------|
| Trade payables | \$ 870,754 | \$ 696,915 |
| Elementary and Secondary tuition payables | 1,623,649 | 1,411,004 |
| Accrued wages and employee benefits payable | <u>90,486</u> | <u>-</u> |
| | <u><u>\$ 2,584,889</u></u> | <u><u>\$ 2,107,919</u></u> |

Serpent River First Nation
Notes to Consolidated Financial Statements

March 31, 2021

7. Due to funders

| | 2021 | 2020 |
|----------------------------|--------------------------|--------------------------|
| Indigenous Services Canada | \$ 503,353 | \$ 489,964 |
| Province of Ontario | 162,951 | 99,918 |
| Union of Ontario Indians | 188,667 | 118,608 |
| | <u>\$ 854,971</u> | <u>\$ 708,490</u> |

8. Deferred revenue and government transfers

| | Balance March 31, 2020 | Funding Received 2021 | Revenue Recognized 2021 | Balance March 31, 2021 |
|----------------------------|------------------------------|-----------------------------|-------------------------------|------------------------------|
| Indigenous Services Canada | \$ 1,073,549 | \$ 5,220,771 | \$ 4,968,179 | \$ 1,326,141 |
| Health Canada | 148,162 | 1,399,680 | 1,222,317 | 325,525 |
| CMHC | - | 229,506 | 229,506 | - |
| Province of Ontario | - | 1,917,265 | 1,917,265 | - |
| North Shore Tribal Council | 25,000 | 600,774 | 625,774 | - |
| Other | 238,057 | 8,312,517 | 8,272,319 | 278,255 |
| Due from (to) funders | - | (140,544) | (140,544) | - |
| Recovery of prior years | - | (2,279) | (2,279) | - |
| | <u>\$ 1,484,768</u> | <u>\$ 17,537,690</u> | <u>\$ 17,092,537</u> | <u>\$ 1,929,921</u> |

Deferred revenue is broken down by program as follows:

| | 2021 | 2020 |
|---|----------------------------|----------------------------|
| Social Assistance - Niigaaniin Project | \$ - | \$ 25,000 |
| Band Support Funding - C&C ISC Covid | 287,216 | - |
| Band Support Funding - ISC Covid | 16,153 | - |
| Community Wellness - Family & Preservation | 260,664 | 234,210 |
| Community Wellness - Health Transfers | 263,710 | 128,125 |
| Community Wellness - Jordan's Principle | 30,253 | 26,841 |
| Community Wellness - Community Support | 143,644 | 146,386 |
| Community Wellness - Diabetes | 15,975 | - |
| Community Wellness - Aunties and Gramma's | - | 78,200 |
| Capital Programs - Minor Capital | 51,751 | 6,680 |
| Capital Programs - Capital Water Project | 671,128 | 767,222 |
| Daycare - Early Childhood Development | 15,587 | 6,667 |
| Daycare - ELCC | 134,611 | - |
| Community Infrastructure - Road Maintenance | 39,229 | 65,437 |
| | <u>\$ 1,929,921</u> | <u>\$ 1,484,768</u> |

Serpent River First Nation
Notes to Consolidated Financial Statements

March 31, 2021

9. Long term debt

| | 2021 | 2020 |
|---|-------------|-------------|
| Bank of Nova Scotia | | |
| 4.75% mortgage, due in monthly instalments of \$1,025 including principal and interest, repaid during the year | \$ - | \$ 4,060 |
| 3.09% mortgage due in monthly instalments of \$1,296 including principal and interest, repaid during the year | - | 7,706 |
| Prime plus 1.50% mortgage due in monthly payments of \$6,600 principal plus interest, maturing Aug 1, 2021 secured by general security agreement | 343,200 | 422,400 |
| Prime plus 1.00% loan due in monthly instalments of \$6,083 principal plus interest, secured by general security agreement | 401,500 | 480,583 |
| Canada Mortgage and Housing Corporation | | |
| 0.99% mortgage due in monthly instalments of \$2,934 including principal and interest, repaid during the year | - | 2,934 |
| 1.46% mortgage due in monthly instalments of \$1,981 including principal and interest, maturing March 1, 2022 | 23,585 | 46,826 |
| 0.37% mortgage due in monthly instalments of \$1,983 including principal and interest, maturing March 1, 2025, secured by Government of Canada guarantee | 93,837 | 116,819 |
| 0.32% mortgage due in monthly instalments of \$2,553 including principal and interest, maturing Aug 1, 2021, secured by Government of Canada guarantee | 144,395 | 173,971 |
| 1.03% mortgage due in monthly instalments of \$2,642 including principal and interest, maturing November 1, 2021, secured by Government of Canada guarantee | 164,483 | 194,339 |
| 2.35% mortgage due in monthly instalments of \$2,869 including principal and interest, maturing July 1, 2023, secured by Government of Canada guarantee | 219,668 | 248,601 |
| 1.44% mortgage due in monthly instalments of \$4,174 including principal and interest, maturing January 1, 2022, secured by Government of Canada guarantee | 41,449 | 90,556 |

Serpent River First Nation
Notes to Consolidated Financial Statements

March 31, 2021

9. Long term debt (continued)

| | 2021 | 2020 |
|---|----------------------------|----------------------------|
| 0.79% mortgage due in monthly instalments of \$1,171 including principal and interest, maturing January 1, 2026, secured by Government of Canada guarantee | 176,763 | 189,158 |
| 0.27% mortgage due in monthly instalments of \$2,156 including principal and interest, maturing October 1, 2021, secured by Government of Canada guarantee | 382,287 | 405,457 |
| 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 | 43,886 | 63,737 |
| Other | | |
| Waubetek Business Development Corporation mortgage, repayable \$2,887 monthly including interest at prime 7.45%, maturing January 2030 | 215,126 | 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 | 43,172 | 59,363 |
| Ford Credit loan payable, \$642 monthly including principal and interest at 2.49%, maturing March 2024 | 22,242 | 29,296 |
| John Deere loan payable, \$3,112 monthly including interest at 4.50%, maturing September 2024 | 120,721 | 151,867 |
| RBC Mortgage, repayable \$15,601 monthly including interest at 4.58% maturing January 2030 | <u>1,378,971</u> | <u>1,470,259</u> |
| | <u>\$ 3,815,285</u> | <u>\$ 4,398,703</u> |

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

| Year | Amount |
|-------------|----------------------------|
| 2022 | \$ 603,255 |
| 2023 | 539,614 |
| 2024 | 519,976 |
| 2025 | 495,560 |
| 2026 | 403,630 |
| Thereafter | <u>1,253,250</u> |
| | <u>\$ 3,815,285</u> |

Serpent River First Nation
Notes to Consolidated Financial Statements

March 31, 2021

10. Accumulated surplus

| | 2021 | 2020 |
|--|-----------------------------|-----------------------------|
| Reserves set aside for specific purposes by the First Nation | | |
| Non-Profit Housing replacement reserve | \$ 368,412 | \$ 407,469 |
| Casino & gaming | 4,200,111 | 3,319,013 |
| Health transfers replacement reserve (MAR) | 26,008 | 26,008 |
| Health transfers | 13,044 | 13,044 |
| Quality of life | 2,095 | 2,095 |
| Band support funding | 308,089 | 274,372 |
| Niigaaniin | 22,490 | 19,269 |
| Education | 494,701 | 83,433 |
| Road maintenance | 77,222 | 77,222 |
| Water | 59,619 | - |
| Fire protection | 87,394 | 69,581 |
| Capital plan | 35,520 | 35,520 |
| Office complex | 360,864 | 233,830 |
| Food bank | 101,739 | 42,670 |
| Library | 60,640 | 50,331 |
| Lands research | 11,660 | 11,660 |
| Daycare | 129,463 | 155,844 |
| Daycare - fundraising | 1,097 | - |
| Domicile | 14,390 | 14,390 |
| Band housing | 19,915 | 563 |
| Reserves | <u>6,394,473</u> | <u>4,836,314</u> |
| Equity in tangible capital assets | <u>18,527,366</u> | <u>18,357,276</u> |
| Funds held in trust | <u>221,694</u> | <u>217,484</u> |
| Members' equity (deficit) | <u>(3,365,877)</u> | <u>(2,642,649)</u> |
| | <u>\$ 21,777,656</u> | <u>\$ 20,768,425</u> |
| Allocation of annual surplus (deficit): | | |
| Reserves | \$ 1,558,159 | \$ (55,734) |
| Equity in tangible capital assets | 170,089 | 607,856 |
| Members' equity (deficit) | (723,229) | 129,654 |
| Equity in government business partnerships | - | (6,201) |
| Funds held in trust | 4,212 | 4,280 |
| | <u>\$ 1,009,231</u> | <u>\$ 679,855</u> |

Serpent River First Nation Notes to Consolidated Financial Statements

March 31, 2021

11. 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 \$87,126 (2020 - \$105,188) during the current period and were fully expensed.

12. 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, 2021 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 \$5,256 was outstanding at March 31, 2021, 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 settlors and beneficiaries of the Robinson Huron Treaty Trust.

13. Funding reconciliation

| | |
|---|----------------------------|
| Indigenous Services Canada funding per the financial statements | \$ 4,968,179 |
| Less: Deferred revenue, beginning of year | (1,073,549) |
| Add: Deferred revenue, end of year | <u>1,326,141</u> |
| | <u><u>\$ 5,220,771</u></u> |
| Indigenous Services Canada funding per funding confirmation | <u><u>\$ 5,220,771</u></u> |

14. 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, 2021 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.

15. 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, 2021

15. 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, 2021

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

Serpent River First Nation
Schedule 1 - Consolidated Tangible Capital Assets

For the year ended March 31, 2021

| | Land | Improvements | Building | Housing | Equipment | Machinery and Equipment | Vehicles | Furniture and Equipment | Power Generating Station | Generating Station | Infrastructure | 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 | \$ - | \$ 44,232,366 |
| Additions | - | - | 4,000 | - | 22,252 | 10,000 | 204,977 | - | 169,278 | 493,585 | 904,092 | - | 904,092 |
| Disposals | - | - | - | - | - | (122,792) | (11,094) | - | - | - | - | - | (133,886) |
| Cost, end of year | 180,001 | 636,123 | 11,295,227 | 12,856,093 | 1,054,269 | 642,583 | 1,272,565 | 352,986 | 16,219,140 | 493,585 | 45,002,572 | \$ - | \$ - |
| Accumulated amortization, beginning of year | - | 453,765 | 4,775,701 | 10,077,814 | 413,427 | 559,078 | 651,098 | 247,089 | 4,298,412 | - | 21,476,384 | - | 21,476,384 |
| Amortization | - | 36,516 | 273,801 | 324,859 | 77,179 | 58,035 | 104,662 | 11,766 | 425,783 | - | 1,312,601 | - | 1,312,601 |
| Disposals | - | - | - | - | - | (122,792) | (6,272) | - | - | - | - | - | (129,064) |
| Accumulated amortization, end of year | - | 490,281 | 5,049,502 | 10,402,673 | 490,606 | 494,321 | 749,488 | 258,855 | 4,724,195 | - | 22,659,921 | - | 22,659,921 |
| Net carrying amount, end of year | \$ 180,001 | \$ 145,842 | \$ 6,245,725 | \$ 2,453,420 | \$ 563,663 | \$ 148,262 | \$ 523,077 | \$ 94,131 | \$ 11,494,945 | \$ 493,585 | \$ 22,342,651 | \$ - | \$ - |

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

For the year ended March 31, 2020 (comparative figures)

| | Land | Land Improvements | Buildings | Housing | Machinery and Equipment | Vehicles | Equipment | Power Generating Station | Furniture and Equipment | Infrastructure | Construction in Progress | Total |
|--|-------------------|-------------------|---------------------|---------------------|-------------------------|-------------------|-------------------|--------------------------|-------------------------|----------------|--------------------------|-------|
| \$ Cost, beginning of year | \$ 180,000 | \$ 636,123 | \$ 10,275,578 | \$ 11,685,736 | \$ 809,931 | \$ 629,431 | \$ 804,192 | \$ 352,986 | \$ 16,049,862 | \$ - | \$ 41,243,840 | |
| Additions | - | - | 1,015,649 | 1,320,271 | 443,879 | 125,944 | 287,160 | - | - | - | 3,372,903 | |
| Disposals | - | - | - | (149,914) | (221,793) | - | (12,670) | - | - | - | (384,377) | |
| Cost, end 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 | 651,098 | 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 | |

Serpent River First Nation
Schedule 2 - Consolidated Segment Disclosure

For the year ended March 31, 2021

| | Niigaanii | Administration | Community Infrastructure | Education | Capital | Medical | Enterprises | Other | Consolidated Total |
|---|------------------|------------------|--------------------------|-------------------|---------------------|--------------------|--------------------|-------------------|---------------------|
| Revenue | | | | | | | | | |
| Indigenous Services Canada | \$ 25,316 | - | \$ 815,917 | \$ 470,057 | \$ 2,702,138 | \$ 451,556 | \$ 236,855 | \$ 213,278 | \$ 78,378 |
| Province of Ontario | - | - | 529,471 | - | - | - | 823,974 | - | 538,504 |
| Government of Canada | - | - | 10,000 | 105,039 | 57,296 | 1,107,278 | 172,210 | - | 1,917,265 |
| Rental and user fees | - | - | 27,113 | - | - | 69,952 | 662,797 | 7,325 | 1,451,823 |
| Interest and other | - | - | 46,332 | - | 34,438 | 955,372 | 5,306,873 | 1,047,362 | 767,187 |
| Due (to) from funders | - | - | - | (8,173) | - | (132,371) | - | - | 8,130,908 |
| Recovery of prior years | - | - | - | (12,661) | - | - | - | - | (140,544) |
| | 536,571 | 1,045,193 | 1,082,973 | 2,786,343 | 543,290 | 3,061,060 | 6,355,158 | 1,681,951 | 17,092,539 |
| Expenses | | | | | | | | | |
| Salaries, wages and benefits | 134,667 | 722,356 | 238,536 | 177,765 | 288,573 | 2,039,651 | 848,665 | 539,502 | 4,989,715 |
| Materials, supplies and capital | 100,501 | 325,087 | 85,652 | 17,785 | 40,052 | 377,270 | 4,478,563 | 112,528 | 5,537,438 |
| Contracted services | 3,168 | 192,681 | 328,607 | 197,122 | 375,533 | 186,771 | 342,862 | 21,217 | 1,647,961 |
| Rents and financial expenses | - | 10,331 | 7,396 | - | 25,325 | 16,914 | 159,028 | 10,919 | 229,913 |
| External transfers and other | 225,892 | - | - | 1,951,041 | - | - | - | 57,551 | 2,234,484 |
| Travel and training | 772 | 9,146 | 3,368 | 1,361 | 1,173 | 84,736 | 27,120 | 3,520 | 131,196 |
| Amortization | 9,438 | 16,737 | 478,433 | 238 | 60,732 | 191,245 | 528,369 | 27,409 | 1,312,601 |
| Transfers between segments | 9,282 | (324,474) | 31,466 | 30,000 | 11,394 | 201,758 | 16,091 | 24,483 | - |
| | 483,720 | 951,864 | 1,173,458 | 2,375,312 | 802,782 | 3,098,345 | 6,400,698 | 797,129 | 16,083,308 |
| Excess (deficiency) of revenue over expenses | \$ 52,851 | \$ 93,329 | \$ (90,485) | \$ 411,030 | \$ (259,492) | \$ (37,285) | \$ (45,540) | \$ 884,822 | \$ 1,009,231 |

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, 2020 (comparative figures)

| | Niigaani | Administration | Community Infrastructure | 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 | | | 1,299,332 | | | 14,880 1,646,608 |
| Rental and user fees | | | \$ 27,315 | | | 101,871 | | | 19,745 823,707 |
| Interest and other | | | \$ 9,814 | | | 17,013 | | | 1,383,206 9,985,368 |
| Due (to) from funders | | | | | | 147,198 | | | |
| Recovery of prior years | | | | | | 3,769 | | | |
| | | | | | | | | | 109,826 |
| | | | | | | | | | |
| | | | | | | | | | 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 | 1,469,157 |
| Rents and financial expenses | | | 29,262 | 13,268 | | 28,672 | 60,539 | 276,083 | |
| External transfers and other | | | | | | | | | 1,719 409,543 |
| Travel and training | 326,309 | | | | | | | | 2,968,769 |
| Amortization | 12,343 | 31,913 | 8,790 | 2,031 | 9,266 | 115,502 | 44,010 | 25,311 | 249,166 |
| Transfers between segments | 10,327 | 4,343 | 473,078 | 238 | 59,992 | 194,533 | 516,318 | 25,664 | 1,284,493 |
| | (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.