

Serpent River First Nation
Consolidated Financial Statements
For the year ended March 31, 2023

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Management's Responsibility for Financial Reporting

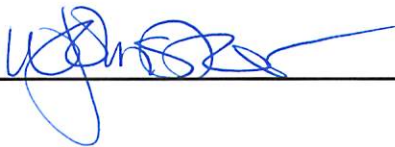
March 31, 2023

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



Tel: (705) 945-0990
Fax: +(705) 942-7979

www.bdo.ca

BDO Canada LLP
747 Queen Street East
P.O. Box 1109
Sault Ste. Marie, Ontario
P6A 5N7

Independent Auditor's Report

To the Chief and Council of Serpent River First Nation

Qualified Opinion

We have audited the consolidated financial statements of Serpent River First Nation and its entities (the First Nation), which comprise the consolidated statement of financial position as at March 31, 2023 and the consolidated statements of operations, changes in net financial assets (debt) and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report 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 its consolidated results of operations, its consolidated changes in net financial assets (debt) and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

The First Nation was unable to provide satisfactory audit evidence with respect to the existence of wage expenses due to a lack of support on employee hours worked during the year. Accordingly, we were unable to confirm or verify by alternate means that all wage expenses of the First Nation have been properly recorded. As a result, we were unable to determine whether any adjustments might be necessary to wages, annual surplus and accumulated surplus for the year ended March 31, 2023.

In addition, effective April 1, 2022, the First Nation was required to adopt PS 3280 Asset Retirement Obligations which requires the recognition of legal obligations associated with the retirement of tangible capital assets by public sector entities. Under the modified retroactive application method, the asset retirement obligation on transition is to be recorded using assumptions as of April 1, 2022. The corresponding asset retirement cost is added to the carrying value of the related tangible capital assets adjusted for amortization since the time the legal obligation was incurred. The net adjustment is charged to accumulated surplus. Comparative figures are to be restated to reflect this change in accounting policy. Management has not completed its assessment of the tangible capital assets for potential asset retirement obligations. As a result, it is not possible to quantify the impact of this departure from Canadian public sector accounting standards on expenses and annual surplus for the years ended March 31, 2023 and 2022, tangible capital assets and the asset retirement obligation as at March 31, 2023 and 2022, and accumulated surplus as at April 1 and March 31 for both the 2023 and 2022 years.

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 qualified audit 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.

Independent Auditor's Report

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.

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

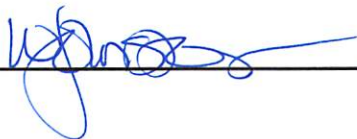
Sault Ste. Marie, Ontario
March 26, 2025

Serpent River First Nation

Consolidated Statement of Financial Position

March 31	2023	2022
Financial assets		
Cash (Note 3)	\$ 4,481,379	\$ 4,919,103
Accounts receivable (Note 4)	5,858,596	5,085,909
Inventory for resale	766,530	831,378
Trust Funds held by Federal Government (Note 5)	229,335	223,697
	<u>11,335,840</u>	<u>11,060,087</u>
Liabilities		
Accounts payable and accrued liabilities (Note 6)	814,498	1,214,752
Due to funders (Note 7)	467,538	507,121
Deferred revenue (Note 8)	5,425,733	5,181,048
Long term debt (Note 9)	2,784,830	3,350,028
	<u>9,492,599</u>	<u>10,252,949</u>
Net financial assets	<u>1,843,241</u>	<u>807,138</u>
Non-financial assets		
Tangible capital assets (Schedule 1)	21,710,703	21,858,887
Prepaid expenses and inventory of supplies	238,213	263,668
	<u>21,948,916</u>	<u>22,122,555</u>
Accumulated surplus (Note 10)	<u>\$ 23,792,157</u>	<u>\$ 22,929,693</u>

On behalf of Council:


 _____ Chief


 _____ Director of Operations

Serpent River First Nation Consolidated Statement of Operations

For the year ended March 31	2023	2022
Revenue		
Indigenous Services Canada	\$ 11,066,149	\$ 7,049,493
Government of Canada	317,111	484,408
Government of Canada Trust Funds	5,637	2,001
Province of Ontario	2,551,101	1,550,239
North Shore Tribal Council	384,039	318,186
OFNLP	805,112	568,103
Union of Ontario Indians	497,021	480,146
Interest and other	507,325	788,474
Rent, residence, parent and user fees	761,090	782,418
Sales revenue	10,017,723	7,320,668
Recovery of prior years	133,363	55,455
	<u>27,045,671</u>	<u>19,399,591</u>
Expenses		
Administration	1,737,759	944,479
Capital	928,442	596,243
Community infrastructure	1,785,467	1,240,946
Education	3,551,427	3,553,302
Enterprises	10,421,532	8,290,392
Lands and environment	1,735,433	130,351
Medical	2,553,660	2,479,217
Other subsidized programs	2,500,024	80,340
Social services and culture	969,463	932,284
	<u>26,183,207</u>	<u>18,247,554</u>
Annual surplus	862,464	1,152,037
Accumulated surplus, beginning of year	<u>22,929,693</u>	<u>21,777,656</u>
Accumulated surplus, end of year	<u>\$ 23,792,157</u>	<u>\$ 22,929,693</u>

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

Serpent River First Nation

Consolidated Statement of Changes in Net Assets

For the year ended March 31	2023	2022
Annual surplus	\$ 862,464	\$ 1,152,037
Acquisition of tangible capital assets	(1,291,599)	(879,496)
Amortization of tangible capital assets	1,388,945	1,353,698
Loss on disposal of tangible capital assets	7,359	7,792
Proceeds on sale of tangible capital assets	43,479	1,770
Prepaid expenses and inventory of supplies	25,455	(189,140)
Net change in net debt	1,036,103	1,446,661
Net financial assets (debt), beginning of year	807,138	(639,523)
Net financial assets, end of year	\$ 1,843,241	\$ 807,138

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	2023	2022
Operating transactions		
Annual surplus	\$ 862,464	\$ 1,152,037
Items not involving cash		
Amortization	1,388,945	1,353,698
Loss on disposal of tangible capital assets	7,359	7,792
	<u>2,258,768</u>	<u>2,513,527</u>
Changes in non-cash working capital balances		
Accounts receivable	(772,687)	(2,299,425)
Inventory for resale	64,848	375
Funds held in trust with Government of Canada	(5,638)	(2,001)
Accounts payable	(400,254)	(1,370,137)
Deferred revenue	244,685	3,251,127
Due to funders	(39,583)	(347,850)
Prepaid expenses and inventory of supplies	25,455	(189,140)
	<u>1,375,594</u>	<u>1,556,476</u>
Capital transactions		
Acquisition of tangible capital assets	(1,291,599)	(879,496)
Proceeds on sale of tangible capital assets	43,479	1,770
	<u>(1,248,120)</u>	<u>(877,726)</u>
Financing transactions		
Advances of long term debt	-	159,201
Repayment of long term debt	(565,198)	(624,458)
	<u>(565,198)</u>	<u>(465,257)</u>
Net change in cash	(437,724)	213,493
Cash, beginning of year	4,919,103	4,705,610
Cash, end of year	\$ 4,481,379	\$ 4,919,103

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

Serpent River First Nation

Notes to Consolidated Financial Statements

March 31, 2023

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 These financial statements reflect the assets, liabilities, revenues and expenses of all programs under the control of Chief and Council.

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.

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.

Organizations consolidated include:

- Serpent River First Nation Economic Development Corporation
- Serpent River First Nation Non-Profit Housing

Tangible Capital Assets 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:

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, 2023

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

Revenue Recognition

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.

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, 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.

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.

Financial Instruments

Cash and equity instruments quoted in an active market are measured at fair value. Accounts receivable, accounts payable, and long-term debt are measured at cost or amortized cost. The carrying amount of each of these financial instruments is presented on the statement of financial position.

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations. Interest and dividends attributable to financial instruments are reported in the statement of operations.

When investment income and realized and unrealized gains and losses from changes in the fair value of financial instruments are externally restricted, the investment income and fair value changes are recognized as revenue in the period in which the resources are used for the purpose specified.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations.

Transaction costs are added to the carrying value for financial instruments measured using cost or amortized cost. Transaction costs are expensed for financial instruments measured at fair value.

Use of Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards 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.

Serpent River First Nation

Notes to Consolidated Financial Statements

March 31, 2023

2. Change in accounting policy

On April 1, 2022, the First Nation adopted PS 3450 Financial instruments which establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. This standard is effective April 1, 2022 and is required to be adopted prospectively. The comparative figures have not been restated from the presentation and disclosure requirements of the previous financial reporting framework adopted by the First Nation.

3. 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 \$19,827 was outstanding at March 31, 2023.

The First Nation has a Bank of Montreal demand loan limit of \$1,500,000 at prime plus 1%. On March 31, 2023, nothing was drawn on the loan.

4. Accounts receivable

	<u>2023</u>	<u>2022</u>
Indigenous Services Canada	\$ 2,097,604	\$ 1,855,416
Province of Ontario	922,946	1,065,915
CMHC	66,629	181,886
North Shore Tribal Council / Niigaaniin	264,469	200,659
Ontario First Nations Limited Partnership	1,201,755	396,643
Due from members	1,037,209	931,676
Other	1,440,759	1,344,590
	<u>7,031,371</u>	<u>5,976,785</u>
Less: allowance for doubtful accounts	<u>(1,172,775)</u>	<u>(890,876)</u>
	<u>\$ 5,858,596</u>	<u>\$ 5,085,909</u>

5. Trust Funds held by Federal Government

	March 31, 2022	Additions 2023	Withdrawals 2023	March 31, 2023
Revenue	\$ 117,326	\$ 5,638	\$ -	\$ 122,964
Capital	106,371	-	-	106,371
	<u>\$ 223,697</u>	<u>\$ 5,638</u>	<u>\$ -</u>	<u>\$ 229,335</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.

Serpent River First Nation

Notes to Consolidated Financial Statements

March 31, 2023

6. Accounts payable and accrued liabilities

	2023	2022
Trade payables	\$ 529,894	\$ 680,079
Elementary and Secondary tuition payables	112,471	458,008
Accrued wages and employee benefits payable	172,133	76,665
	\$ 814,498	\$ 1,214,752

7. Due to (from) funders

	2023	2022
Indigenous Services Canada	\$ (39,818)	\$ 44,339
Government of Canada - CMHC	40,456	-
Province of Ontario	325,594	217,385
Union of Ontario Indians	141,306	245,397
	\$ 467,538	\$ 507,121

8. Deferred revenue and government transfers

	Balance March 31, 2022	Funding Received 2023	Revenue Recognized 2023	Balance March 31, 2023
Indigenous Services Canada	\$ 4,197,639	\$ 11,891,512	\$ 11,066,149	\$ 5,023,002
Health Canada	-	49,162	49,162	-
CMHC	-	260,646	260,646	-
Province of Ontario	600,000	2,059,993	2,659,993	-
North Shore Tribal Council	58,105	420,778	384,039	94,844
Other	325,304	12,585,371	12,602,788	307,887
Due from (to) funders	-	(123,409)	(123,409)	-
Recovery of prior years	-	133,363	133,363	-
Government of Canada	-	-	-	-
Trust Funds	-	5,637	5,637	-
	\$ 5,181,048	\$ 27,283,053	\$ 27,038,368	\$ 5,425,733

Deferred revenue is broken down by program as follows:

	2023	2022
Administration	\$ 1,821,895	\$ 735,310
Capital	1,332,332	1,448,885
Community infrastructure	277,589	455,080
Education	213,019	236,978
Lands and environment	240,039	-
Medical	578,358	595,446
Other subsidized	-	1,237,394
Social services and culture	962,501	471,955
	\$ 5,425,733	\$ 5,181,048

Serpent River First Nation

Notes to Consolidated Financial Statements

March 31, 2023

9. Long term debt

	2023	2022
Bank of Nova Scotia		
Prime plus 1.5% mortgage due in monthly instalments of \$6,024 including principal and interest, maturing January 22, 2026 secured by general security agreement	184,800	264,000
Prime plus 1.00% loan due in monthly instalments of \$6,429 including principal and interest, maturing December 27, 2026 secured by general security agreement	255,500	328,500
Canada Mortgage and Housing Corporation		
0.71% mortgage due in monthly instalments of \$1,983 including principal and interest, maturing March 1, 2025, secured by Government of Canada guarantee	47,251	70,626
0.94% mortgage due in monthly instalments of \$2,588 including principal and interest, maturing December 1, 2025, secured by Government of Canada guarantee	84,271	114,381
3.04% mortgage due in monthly instalments of \$2,750 including principal and interest, maturing July 1, 2026, secured by Government of Canada guarantee	104,514	134,168
2.35% mortgage due in monthly instalments of \$2,869 including principal and interest, maturing July 1, 2023, secured by Government of Canada guarantee	159,760	190,063
0.79% mortgage due in monthly instalments of \$1,171 including principal and interest, maturing January 1, 2026, secured by Government of Canada guarantee	151,250	164,057
1.12% mortgage due in monthly instalments of \$2,291 including principal and interest, maturing October 1, 2026, secured by Government of Canada guarantee	334,533	358,148
Royal Bank of Canada		
3.52% mortgage due in monthly instalments of \$1,815 including principal and interest, maturing May 18, 2023, secured by Government of Canada guarantee	2,029	23,325
RBC Mortgage, repayable \$17,660 monthly including interest at 7.42%, maturing December 2026	1,121,657	1,252,281
RBC loan, repayable \$727 monthly including interest at 0%, secured by equipment, maturing April 2026	26,919	35,649
RBC demand loan payable, \$1,943 monthly including interest at 3.99%, maturing March 2027	86,083	105,549

Serpent River First Nation

Notes to Consolidated Financial Statements

March 31, 2023

9. Long term debt (continued)

	<u>2023</u>	<u>2022</u>
Other		
Waubetek Business Development Corporation mortgage, repayable \$2,887 monthly including interest at prime 7.45%, maturing December 2028	\$ 157,928	\$ 180,483
Capital lease payable, \$1,695 monthly payments, secured by machinery and equipment, payments including principal and interest at 7.96%, maturing August 2023	6,668	25,644
Ford Credit loan payable, \$642 monthly including principal and interest at 2.49%, maturing March 2024	7,598	15,011
John Deere loan payable, \$3,112 monthly including interest at 4.50%, maturing September 2024	54,069	88,143
	<u>\$ 2,784,830</u>	<u>\$ 3,350,028</u>

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

Year	Amount
2024	\$ 514,754
2025	504,594
2026	464,125
2027	355,386
2028	281,651
Thereafter	<u>664,320</u>
	<u>\$ 2,784,830</u>

The First Nation paid interest on its long-term debt in the amount of \$127,801 in the year (2022 - \$109,654).

Serpent River First Nation

Notes to Consolidated Financial Statements

March 31, 2023

10. Accumulated surplus

	2023	2022
Reserves set aside for specific purposes by the First Nation		
Non-Profit Housing replacement reserve	\$ 829,002	\$ 787,564
Casino & gaming	4,615,970	4,757,218
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	407,817	407,817
Niigaaniin	31,013	31,013
Education	1,367,638	1,296,935
Water	-	125,355
Fire protection	168,752	87,394
Capital plan	35,520	35,520
Office complex	577,269	461,403
Food bank	53,846	133,077
Library	62,132	61,637
Lands research	68,895	26,793
Daycare	123,645	131,251
Daycare - fundraising	20,539	17,698
Domicile	64,676	14,390
Band housing	238,075	180,536
Reserves	8,705,936	8,596,748
Equity in tangible capital assets	18,925,873	18,508,859
Funds held in trust	229,332	223,695
Members' equity (deficit)	(4,068,984)	(4,399,609)
	\$ 23,792,157	\$ 22,929,693
Allocation of annual surplus (deficit):		
Reserves	\$ 109,188	\$ 2,202,275
Equity in tangible capital assets	417,014	(18,507)
Funds held in trust	5,637	2,001
Members' equity (deficit)	330,625	(1,033,732)
	\$ 862,464	\$ 1,152,037

Serpent River First Nation

Notes to Consolidated Financial Statements

March 31, 2023

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 \$101,825 (2022 - \$101,899) 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, 2023 the First Nation has not guaranteed any loans under this agreement.
 - (b) The First Nation has provided a guarantee in the amount of \$763,250 in favour of the Bank of Montreal on behalf of Robinson Huron Treaty Ojibewa (Anishinabe). This represents 4.56% of the total loan of \$16,727,500 being guaranteed by 21 participating First Nation Communities that are settlors and beneficiaries of the Robinson Huron Treaty Trust. The negotiations have arrived at a settlement of \$10 billion by the federal and provincial governments, which was approved by the First Nations on November 1, 2023. Effective September 9, 2024, the guarantee has been discharged by the Bank of Montreal.
 - (c) The First Nation has neither charged Goods and Services Tax nor made remittances to the Receiver General for Canada. While it is the position of the First Nation that they are not responsible for collection of federal taxes, regulations indicate that Goods and Services Tax should be charged on certain revenue from band operated enterprises. The resultant liability, if any exists, is not determinable at this time. Therefore, no provision has been made in these financial statements for any liability related to unremitted Goods and Services Tax.
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13. Funding reconciliation

Indigenous Services Canada funding per the financial statements	\$ 11,066,149
Add: Deferred revenue, end of year	5,023,002
Less: Deferred revenue, beginning of year	(4,197,639)
Less: Waste Management claims reimbursed on fiscal 2024 confirmation	<u>(230,953)</u>
	<u>\$ 11,660,559</u>
Indigenous Services Canada funding per funding confirmation	
Arrangement: 2122-ON-000028	<u>\$ 11,660,559</u>

Serpent River First Nation

Notes to Consolidated Financial Statements

March 31, 2023

14. Financial instruments

The First Nation is exposed to credit risk, liquidity risk and market risk from its financial instruments. This note describes The First Nation's objectives, policies and processes for managing those risks and the methods used to measure them. Further qualitative and quantitative information in respect of these risks is presented below and throughout these financial statements.

a) Credit risk

Credit risk is the risk that one party to a financial transaction will fail to discharge a financial obligation and cause the other party to incur a financial loss. The First Nation is exposed to this risk relating to its cash and accounts receivable.

The First Nation's maximum exposure to credit risk at the financial statement date is the carrying value of its cash and accounts receivable as presented on the statement of financial position. The First Nation holds its cash accounts with large reputable financial institutions, from which management believes the risk of loss due to credit risk to be remote.

The First Nation is exposed to credit risk in accounts receivable which includes government and other receivables. The First Nation measures its exposure to credit risk with respect to accounts receivable based on how long the amounts have been outstanding and management's analysis of accounts including management's on-going monitoring of outstanding accounts, collections, and allowance for doubtful accounts. In the opinion of management, the credit risk exposure in accounts receivable is considered to be moderate.

b) Liquidity risk

Liquidity risk is the risk that the organization cannot repay its obligations when they become due to its creditors. The First Nation is exposed to this risk relating to its accounts payable and accrued liabilities, due to funders and long term debt.

The First Nation reduces its exposure to liquidity risk by monitoring cash and investing activities and expected outflow through maintaining enough cash and investments to repay trade creditors as payables become due. In the opinion of management, the liquidity risk exposure to the First Nation is low.

c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The First Nation is mainly exposed to interest rate risk.

i) Interest rate risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates. The First Nation is exposed to this risk through its long term debt held. See note 9 for information on this. The First Nation does not use derivative instruments to reduce its exposure to interest rate risk. The First Nation holds long term debt with fixed interest rates; which therefore, limits the exposure to interest rate risk for the First Nation. In the opinion of management, the interest rate risk exposure to The First Nation is low.

There have not been any changes from the prior year in the First Nation's exposure to all of the above risks or the policies, procedures and methods it uses to measure these risks.

Serpent River First Nation

Notes to Consolidated Financial Statements

March 31, 2023

15. Subsequent restructuring

Subsequent to the year-end, on April 1, 2023, entities consolidated by Serpent River First Nation were restructured to better represent their function and contribution to the Band's economy. An estimate cannot be made regarding the financial effect on the Band as this time, however it is limited to professional fees required to effect the transactions necessary for the restructuring.

Prior to restructuring, the First Nation held 100% ownership of Serpent River First Nation Economic Development Corporation, which held 100% ownership in Agawa Crafts and the Canadian Carver.

Subsequent to restructuring, the First Nation holds 100% share ownership of Serpent River First Nation Economic Development Corporation and 99% of limited partnership shares in Serpent River First Nation Limited Partnership. The Serpent River First Nation Limited Partnership holds 100% share ownership in Agawa Corporation and 99% limited partnership shares in Agawa Limited Partnership.

16. 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:

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.

Capital

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

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 operates a daycare, library, and afterschool program, and reimburses tuition costs and provides living and other allowances to students who are attending post-secondary institutions.

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.

Lands and Environment

The lands and environment department oversees the management of natural resources, land development, and emergency preparedness within the First Nation.

Serpent River First Nation

Notes to Consolidated Financial Statements

March 31, 2023

16. Segmented information (continued)

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, and many other smaller programs designed to enhance the health of members.

Other services

The First Nation provides a wide array of other services, including distribution of Casino Rama proceeds, a community garden project, and others.

Social Services and Culture

The social services department collaborates with the medical department to provide services to promote the well-being of members from a community, social, and cultural perspective including such activities as mental health support, family violence prevention, land-based cultural programming, and many other smaller programs designed to enhance quality of life for community members.

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 (Schedule 2).

17. Budget

The First Nation has not prepared a budget for the March 31, 2023 year-end, accordingly no budget figures have been presented for comparison purposes on the consolidated statements of operations and change in net assets.

18. Comparative figures

Comparative figures presented in the financial statements have been reclassified to conform to the current year's presentation.

Serpent River First Nation
Schedule 1 - Consolidated Tangible Capital Assets

For the year ended March 31, 2023

	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	\$ 11,383,944	\$ 12,882,592	\$ 1,054,269	\$ 887,879	\$ 1,449,506	\$ 352,986	\$ 17,009,532	\$ 16,250	\$ 45,853,082
Additions	-	-	159,658	378,007	359,251	116,368	209,687	-	21,038	47,590	1,291,599
Disposals	-	-	-	-	(298,530)	-	(23,510)	-	-	(16,250)	(338,290)
Cost, end of year	180,001	636,123	11,543,602	13,260,599	1,114,990	1,004,247	1,635,683	352,986	17,030,570	47,590	46,806,391
Accumulated amortization, beginning of year	-	525,819	5,326,880	10,699,594	567,786	595,372	855,664	270,622	5,152,458	-	23,994,195
Amortization	-	34,761	262,743	313,532	62,172	131,789	141,815	11,766	430,367	-	1,388,945
Disposals	-	-	-	-	(268,169)	-	(19,283)	-	-	-	(287,452)
Accumulated amortization, end of year	-	560,580	5,589,623	11,013,126	361,789	727,161	978,196	282,388	5,582,825	-	25,095,688
Net carrying amount, end of year	\$ 180,001	\$ 75,543	\$ 5,953,979	\$ 2,247,473	\$ 753,201	\$ 277,086	\$ 657,487	\$ 70,598	\$ 11,447,745	\$ 47,590	\$ 21,710,703

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, 2022 (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	\$ 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
Additions	-	-	88,717	26,499	-	247,396	203,827	-	313,057	-	879,496
Disposals	-	-	-	-	-	(2,100)	(26,886)	-	-	-	(28,986)
Capitalized construction	-	-	-	-	-	-	-	-	477,335	(477,335)	-
Cost, end of year	180,001	636,123	11,383,944	12,882,592	1,054,269	887,879	1,449,506	352,986	17,009,532	16,250	45,853,082
Accumulated amortization, beginning of year	-	490,281	5,049,502	10,402,673	490,606	494,321	749,488	258,855	4,724,195	-	22,659,921
Amortization	-	35,538	277,378	296,921	77,180	103,151	123,500	11,767	428,263	-	1,353,698
Disposals	-	-	-	-	-	(2,100)	(17,324)	-	-	-	(19,424)
Accumulated amortization, end of year	-	525,819	5,326,880	10,699,594	567,786	595,372	855,664	270,622	5,152,458	-	23,994,195
Net carrying amount, end of year	\$ 180,001	\$ 110,304	\$ 6,057,064	\$ 2,182,998	\$ 486,483	\$ 292,507	\$ 593,842	\$ 82,364	\$ 11,857,074	\$ 16,250	\$ 21,858,887

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