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Sudbury Business Center  
760 Notre Dame Ave Unit M  
Sudbury, ON P3A 2T4

Attention: Mariah Falat, Funding Services Officer

November 17, 2023

Re: Thessalon First Nation

Dear Madam

We enclose herewith for your information and retention, one copy of each of the following:

1. Financial statements for the year ended March 31, 2023.
2. Schedule of Remuneration and Expenses for Chief and Council for the year ended March 31, 2023.

Should you have any questions concerning the foregoing, please contact the writer or George Trevisan of this office.

Yours sincerely

BDO Canada LLP  
Chartered Professional Accountants, Licensed Public Accountants

Jennifer Archambault, CPA, CA  
Partner through a corporation  
/sb

*Sent via email - mariah.falat@canada.ca*

c. Thessalon First Nation

**Thessalon First Nation**  
**Consolidated Financial Statements**  
**For the year ended March 31, 2023**

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## Thessalon First Nation Management's Responsibility for Financial Reporting

March 31, 2023

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

These 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.

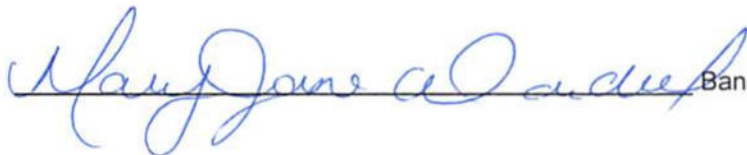
Chief and Council are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and is ultimately responsible for reviewing and approving the consolidated financial statements.

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 Thessalon First Nation and meet when required.

On behalf of Thessalon First Nation:



Chief



Band Manager



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## Independent Auditor's Report

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To the Members of Thessalon First Nation

### Qualified Opinion

We have audited the consolidated financial statements of Thessalon First Nation (the First Nation), which comprise the consolidated statement of financial position as at March 31, 2023, the consolidated statements of operations and accumulated surplus, changes in net 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 matter described in the basis for qualified opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the First Nation as at March 31, 2023, and the results of its operations, changes in net assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### Basis for Qualified Opinion

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.

In addition as set out in note 9, the First Nation continued to follow PS 3270 Solid Waste Landfill Closure and Post-Closure Liabilities which was no longer in effect when the above noted PS 3280 became applicable.

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 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 opinion.

### Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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

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## Independent Auditor's Report (continued)

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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 financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the First Nation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the First Nation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the First Nation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*BDO Canada LLP*

Chartered Professional Accountants, Licensed Public Accountants

Sault Ste. Marie, Ontario  
November 16, 2023




**Thessalon First Nation**  
**Consolidated Statement of Financial Position**

<b>March 31, 2023</b>	<b>2023</b>	<b>2022</b>
<b>Financial assets</b>		
Cash	\$ 976,776	\$ 918,767
Short term investment (Note 4)	324,928	321,622
Accounts receivable	2,173,092	2,436,418
Trust funds held by federal government (Note 5)	257,750	249,999
Inventories held for sale	45,880	37,184
	<u>3,778,426</u>	<u>3,963,990</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	420,560	541,483
Deferred revenue (Note 6)	2,991,530	3,251,970
Long term debt (Note 8)	90,272	122,073
Future landfill closure and post-closure costs (Note 9)	1,474,264	1,390,020
	<u>4,976,626</u>	<u>5,305,546</u>
<b>Net debt</b>	<u>(1,198,200)</u>	<u>(1,341,556)</u>
<b>Non-financial assets</b>		
Tangible capital assets (Schedule 1)	5,272,464	4,964,256
Prepaid expenses	56,556	62,958
	<u>5,329,020</u>	<u>5,027,214</u>
<b>Accumulated surplus (Note 10)</b>	<u>\$ 4,130,820</u>	<u>\$ 3,685,658</u>

On behalf of the First Nation:

 Chief

 Band Manager

# Thessalon First Nation

## Consolidated Statement of Operations and Accumulated Surplus

For the year ended March 31	(see Note 14) Budget	2023	2022
<b>Revenue</b>			
Canada	\$ 5,916,515	\$ 4,226,218	\$ 3,307,776
Ontario	763,506	558,001	487,196
Ontario First Nations (2008) Limited Partnership	454,460	667,471	454,460
Aboriginal organizations	2,202,762	1,319,652	1,132,377
Sales, rentals and other	898,871	1,033,481	998,428
	<u>10,236,114</u>	<u>7,804,823</u>	<u>6,380,237</u>
<b>Expenses</b>			
Social programs	668,871	578,311	555,150
Administration and governance	497,781	457,372	258,088
Infrastructure maintenance	632,102	652,709	678,999
Education	1,284,337	1,270,052	1,101,668
Housing and community development	460,951	505,077	234,348
Enterprises and economic development	1,678,103	1,724,438	2,243,007
Medical and other health services	1,498,265	1,597,746	1,191,886
Other programs	755,294	573,956	569,783
	<u>7,475,704</u>	<u>7,359,661</u>	<u>6,832,929</u>
<b>Annual surplus (deficit)</b>	2,760,410	445,162	(452,692)
<b>Accumulated surplus, beginning of year</b>	<u>3,685,658</u>	<u>3,685,658</u>	<u>4,138,350</u>
<b>Accumulated surplus, end of year</b>	<u>\$ 6,446,068</u>	<u>\$ 4,130,820</u>	<u>\$ 3,685,658</u>

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

**Thessalon First Nation**  
**Consolidated Statement of Change in Net Debt**

<b>For the year ended March 31</b>	(see Note 14) <b>Budget</b>	<b>2023</b>	<b>2022</b>
<b>Annual surplus (deficit)</b>	\$ 2,760,410	\$ 445,162	\$ (452,692)
Acquisition of tangible capital assets	-	(626,044)	(505,200)
Amortization of tangible capital assets	316,094	317,836	275,492
Prepaid expenses	-	6,402	1,750
<b>Net change in net financial assets (debt)</b>	3,076,504	143,356	(680,650)
<b>Net debt, beginning of year</b>	(1,341,556)	(1,341,556)	(660,906)
<b>Net financial assets (debt), end of year</b>	\$ 1,734,948	\$ (1,198,200)	\$ (1,341,556)

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



# Thessalon First Nation

## Consolidated Statement of Cash Flows

For the year ended March 31	2023	2022
<b>Cash flows from operating activities</b>		
Annual surplus (deficit)	\$ 445,162	\$ (452,692)
Adjustment for non-cash item		
Amortization of tangible capital assets	<u>317,836</u>	<u>275,492</u>
	762,998	(177,200)
Changes in non-cash working capital balances		
Accounts receivable	263,326	(1,472,282)
Inventories held for sale	(8,696)	(3,583)
Prepaid expenses	6,402	1,750
Accounts payable and accrued liabilities	(120,923)	(25,615)
Deferred revenue	(260,440)	1,207,165
Future landfill closure and post-closure costs	<u>84,244</u>	<u>151,609</u>
	<u>726,911</u>	<u>(318,156)</u>
<b>Investing activities</b>		
Short term investments	(3,306)	(482)
Increase in funds held in trust	<u>(7,751)</u>	<u>(4,218)</u>
	<u>(11,057)</u>	<u>(4,700)</u>
<b>Capital transactions</b>		
Purchase of tangible capital assets	<u>(626,044)</u>	<u>(505,200)</u>
<b>Financing activities</b>		
Long term debt obtained	-	137,000
Payments on long term debt	<u>(31,801)</u>	<u>(78,241)</u>
	<u>(31,801)</u>	<u>58,759</u>
<b>Increase (decrease) in cash</b>	<b>58,009</b>	<b>(769,297)</b>
<b>Cash, beginning of year</b>	<u><b>918,767</b></u>	<u><b>1,688,064</b></u>
<b>Cash, end of year</b>	<u><b>\$ 976,776</b></u>	<u><b>\$ 918,767</b></u>

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

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# Thessalon First Nation

## Notes to Consolidated Financial Statements

March 31, 2023

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### 1. Significant accounting policies

#### a. Basis of accounting

These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board.

#### b. Reporting entity

The Thessalon First Nation reporting entity includes the First Nation government and all entities that are controlled by the First Nation.

#### c. Principles of consolidation

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.

Organizations consolidated in the First Nation's financial statements include:

TFN Economic Development Corporation  
Elite Bio-Centre Productions Inc.  
Goganonganga Limited Partnership

#### d. Revenue recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Government transfers are recognized as revenue when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Contributions from other sources are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose.

Revenue related to fees or services received in advance of the fee being earned or the service being performed, is deferred and recognized when the fee is earned or service performed. Revenue from the dispensary are recognized as revenue at point of sale.

#### e. Measurement uncertainty

In preparing the consolidated financial statements of the First Nation, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

#### f. Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and term deposits having a maturity of three months or less at acquisition which are held for the purposes of meeting short term cash commitments.

#### g. Inventories held for sale

Inventories held for sale are recorded at the lower of cost and net realizable value.

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## Thessalon First Nation

### Notes to Consolidated Financial Statements

**March 31, 2023**

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**1. Significant accounting policies (continued)**

**h. Pension plan**

The First Nation provides a defined contribution pension plan for its employees. The pension costs are charged to operations as contributions are due. Contributions are a defined amount whereby the employer matches that paid by the employee.

**i. Tangible capital assets**

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset.

Leases that transfer substantially all the benefits and risks of ownership are recorded as the acquisition of a tangible capital asset and the incurrence of an obligation. The asset is amortized in a manner consistent with tangible capital assets owned by the First Nation, and the obligation, including interest thereon, is repaid over the term of the lease. All other leases are accounted for as operating leases and rental costs are expensed as incurred.

Amortization is provided for on a straight-line basis over the estimated lives as follows:

Land improvements	10 to 30
Buildings	30 to 40
Housing	30
Machinery and equipment	5 to 30
Vehicles	7 to 10
Infrastructure	7 to 100

Tangible capital assets are written down when conditions indicate that they no longer contribute to Thessalon First Nation's ability to provide goods and service, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write downs are accounted for as expenses in the consolidated financial statements.

Contributed tangible capital assets are recorded into revenues at their fair values on the date of donation, except in circumstances where fair value cannot be reasonably determined, in which case, they are recognized at nominal value.

Certain assets which have historical or cultural value, including works of art, historical documents and historical and cultural artifacts, are not recognized as tangible capital assets.

Assets under construction are not amortized until the asset is available to be put into service.

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## **Thessalon First Nation**

### **Notes to Consolidated Financial Statements**

**March 31, 2023**

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#### **1. Significant accounting policies (continued)**

##### **j. 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.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

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.

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#### **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. There was no quantitative effect on the financial statements for the year ended March 31, 2023.

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#### **3. Bank indebtedness**

The First Nation has available a \$300,000 revolving demand credit facility at prime plus 1.4%, secured by general security agreement constituting a first ranking security interest in all personal property of the borrower. At March 31, 2023, nothing has been drawn on this credit facility. In addition, the First Nation has credit card coverage to maximum of \$60,000.

# Thessalon First Nation

## Notes to Consolidated Financial Statements

**March 31, 2023**

### 4. Short term investment

The First Nation has invested in a \$322,104 non redeemable guaranteed investment certificate (GIC). The GIC earns interest at 2.0% and matures October 22, 2023.

### 5. Trust funds held by federal government

	Beginning	Additions	Withdrawals	Ending
Revenue	\$ 235,333	\$ 7,751	\$ -	\$ 243,084
Capital	14,666	-	-	14,666
	<u>\$ 249,999</u>	<u>\$ 7,751</u>	<u>\$ -</u>	<u>\$ 257,750</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 Sections 63 to 69 of the Indian Act.

### 6. Deferred revenue

	2023	2022
Canada	\$ 1,890,953	\$ 2,249,715
Ontario	54,385	75,104
Aboriginal organizations	958,592	916,514
Other	87,600	10,637
	<u>\$ 2,991,530</u>	<u>\$ 3,251,970</u>

#### Reconciliation of deferred revenue

Balance, beginning of year	\$ 3,251,970	\$ 2,044,805
Additions during the year	2,991,530	3,251,970
Applied to operations during the year	(3,251,970)	(2,044,805)
Balance, end of year	<u>\$ 2,991,530</u>	<u>\$ 3,251,970</u>

### 7. Pension agreement

The First Nation provides a defined contribution plan for eligible members of its staff. The First Nation matches employees' contributions. The amount to be received by employees will be the amount of retirement gratuity that could be purchased based on the employees share of the pension plan at the time of the employee's withdrawal from the plan. The First Nation contributed \$76,574 (2022 - \$67,357) during the year for retirement benefits.

**Thessalon First Nation**  
**Notes to Consolidated Financial Statements**

**March 31, 2023**

**8. Long term debt**

	<u>2023</u>	<u>2022</u>
5.02% capital lease, secured by excavator, repayable \$2,043 monthly including interest, maturing August 2025	\$ 55,683	\$ 76,821
7.12% loan, secured by roads truck, repayable \$1,127 monthly including interest, maturing January 2026	<u>34,589</u>	<u>45,252</u>
	<u>\$ 90,272</u>	<u>\$ 122,073</u>

Interest paid on long term debt during the year was \$6,237 (2022 - \$5,865). Principal payments required on long term debt for the three next years are due as follows:

Year	Amount
2024	\$ 33,655
2025	35,637
2026	<u>20,980</u>
	<u>\$ 90,272</u>

**9. Accrued landfill closure and post-closure costs**

Landfill closure and post-closure requirements include final covering and landscaping of the landfill, storm water management, creation of buffer lands, monitoring wells, fees, ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events extending over 25 years using the best information currently available to management. Future events may result in significant changes to total estimated expenditures, capacity used or total capacity and estimated liability. Any such changes would be applied prospectively as a change in estimate, when applicable.

Based on an updated site assessment, the estimated remaining useful life of the landfill site is one year, after which the period for post-closure care costs is estimated to be 25 years. The estimated liability for landfill closure and post-closure costs is recognized as the landfill site's capacity is used.

The estimated total net present value of expenditures to close and maintain the landfill site is approximately \$1,474,264 (2022 - \$1,404,060). As at March 31, 2023, 100% (2022 - 99%) of the total estimated expenditures have been recognized based on the cumulative capacity used at that date compared to the total estimated landfill capacity. The First Nation has not designated any source of revenue to fund the cost of closing and maintaining the landfill site, but anticipates federal funding to be available in fiscal 2023-2024 to close the site.



# Thessalon First Nation

## Notes to Consolidated Financial Statements

**March 31, 2023**

### 10. Accumulated surplus

	2023	2022
<b>Allocation of annual surplus (deficit)</b>		
Equity in tangible capital assets	\$ 308,209	\$ 229,709
General surplus (deficit)	181,645	(476,250)
Unfunded landfill liabilities	(84,244)	(151,609)
Unfunded long term debt	31,801	(58,759)
Funds held in trust	7,751	4,217
	<b>\$ 445,162</b>	<b>\$ (452,692)</b>

### Accumulated surplus, end of year

	2023	2022
<b>Reserve set aside for specific purposes</b>		
OFN(2008)LP - future generations fund	\$ 465,857	\$ 465,857
Equity in tangible capital assets	5,272,466	4,964,257
General deficit	(300,717)	(482,362)
Unfunded landfill liabilities	(1,474,264)	(1,390,020)
Unfunded long term debt	(90,272)	(122,073)
Funds held in trust	257,750	249,999
	<b>\$ 4,130,820</b>	<b>\$ 3,685,658</b>

### 11. Contingencies and commitments

The First Nation is contingently liable to Canada Mortgage and Housing Corporation for housing renovations loans extended to band members. Loans are forgivable on a straight-line basis over four years as long as the occupant remains the same over the term. Any outstanding balance becomes payable by the First Nation if the terms of forgiveness are not met.

The First Nation is negotiating a land claim with Canada which is providing funding by way of loans for the First Nation's costs. Generally, these loan transfers are forgiven by Canada should they end negotiations or the First Nation is successful in its claim. This funding may need to be repaid should the First Nation end negotiations. To date, \$250,958 has been advanced under this arrangement.

The First Nation is disputing the assessment of municipal taxes, interest and penalties of approximately \$1,309,371 at March 31, 2023 on property it acquired from a land claim settlement. The outcome of this matter is not presently determinable. Any loss resulting therefrom will be recorded in the year of settlement.

The First Nation has committed to providing financial support of \$585,750 to Robinson Huron Treaty Trust to finance costs of legal action against the governments of Canada and Ontario. This amount represents 3.50% of the total budgeted amount of \$16,727,500 being supported by the 21 participating First Nation Communities that are settlers 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.

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## Thessalon First Nation

### Notes to Consolidated Financial Statements

**March 31, 2023**

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#### **12. Financial instruments**

The First Nation's is exposed to credit risk, liquidity risk, interest rate risk and other price 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 instrument will cause a financial loss for the other party by failing to discharge an obligation. The First Nation is exposed to credit risk through its cash, portfolio investments 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 and portfolio investments 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 managements on-going monitoring of outstanding 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 company 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 and long term debt.

The First Nation reduces its exposure to liquidity risk by monitoring cash and investing activities and expected outflow through extensive budgeting and maintaining enough cash or line of credit 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 risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The First Nation is exposed to this risk through its interest-bearing short term investments and line of credit. See notes 3 and 4 for information on these. The First Nation does not use derivative instruments to reduce its exposure to interest rate risk. In the opinion of management, the interest rate risk exposure to the First Nation is low.

The First Nation holds long-term debt with fixed interest rates; which therefore, limits the exposure to interest rate risk for the First Nation.

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.

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## Thessalon First Nation

### Notes to Consolidated Financial Statements

March 31, 2023

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#### 13. Segmented information

The Thessalon First Nation is a diversified government institution that provides a wide range of services to its members. For management reporting purposes the First Nation's operations and activities are organized and reported by department. Departments were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

Services are provided by departments and their activities are reported as such. Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

##### *Social programs*

The social programs department is responsible for administering assistance payments as well as providing homemaking and other services directed towards members.

##### *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.

##### *Infrastructure maintenance*

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

##### *Medical and other health services*

The health services department provides a diverse bundle of services directed towards the well-being of members including such activities as long term care, 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.

##### *Administration and governance*

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.

##### *Housing and community development*

This department is responsible for community development activities occurring in the First Nation during the year, including housing renovations and other activities benefiting the community.

##### *Enterprises and economic development*

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 and other projects from time to time.

##### *Other programs*

The First Nation provides a wide array of other services, including the library, summer employment programs, Ontario First Nations Limited Partnership distributions and other activities.

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## Thessalon First Nation

### Notes to Consolidated Financial Statements

**March 31, 2023**

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#### **13. Segmented information (continued)**

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 Schedule 2 - Consolidated Segment Disclosure.

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#### **14. Budget**

Budgets are adopted by the First Nation based on the terms of agreements which do not vary significantly from year to year. This basis of preparation is not consistent with that used to report actual results. The budget was prepared on a modified accrual basis while Public Sector Accounting Board standards 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 financial assets (debt) represent the budget adopted by the First Nation with adjustments as follows:

<b>Budget surplus for the year</b>	<b>\$ 2,828,401</b>
<b>Add:</b>	
Capital expenditures	333,104
<b>Less:</b>	
Amortization	(316,095)
Unfunded liabilities	(85,000)
	<hr/>
<b>Budget surplus per statement of operations</b>	<b><u>\$ 2,760,410</u></b>

**Thessalon First Nation**  
**Schedule 1 - Consolidated Tangible Capital Assets**

**For the year ended March 31, 2023**

		Land	Land	Buildings	Housing	Machinery and Equipment	Vehicles	Infrastructure	Construction in Progress	Total								
		Improvements																
Cost, beginning of year	\$	40,001	\$	166,565	\$	3,317,493	\$	2,213,249	\$	1,443,866	\$	557,515	\$	1,519,518	\$	-	\$	9,258,207
Additions		-		-		-		53,158		142,651		-		430,235				626,044
Cost, end of year		40,001		166,565		3,317,493		2,213,249		1,497,024		700,166		1,519,518		430,235		9,884,251
Accumulated amortization, beginning of year		-		53,083		1,597,716		272,312		862,529		279,864		1,228,447		-		4,293,951
Amortization		-		15,131		93,809		73,849		67,756		46,536		20,755		-		317,836
Accumulated amortization, end of year		-		68,214		1,691,525		346,161		930,285		326,400		1,249,202		-		4,611,787
Net carrying amount, end of year	\$	40,001	\$	98,351	\$	1,625,968	\$	1,867,088	\$	566,739	\$	373,766	\$	270,316	\$	430,235	\$	5,272,464

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

**Thessalon First Nation**  
**Schedule 1 - Consolidated Tangible Capital Assets (continued)**

For the year ended March 31, 2022 (comparative figures)

		Land	Land			Machinery			Construction	
		Land	Improvements	Buildings	Housing	and Equipment	Vehicles	Infrastructure	in Progress	Total
Cost, beginning of year	\$	40,001	\$ 166,565	\$ 3,317,493	\$ 794,432	\$ 1,251,643	\$ 423,951	\$ 1,519,518	\$ 1,239,404	\$ 8,753,007
Additions		-	-	-	-	192,223	133,564	-	179,413	505,200
Capitalized construction		-	-	-	1,418,817	-	-	-	(1,418,817)	-
Cost, end of year		40,001	166,565	3,317,493	2,213,249	1,443,866	557,515	1,519,518	-	9,258,207
Accumulated amortization, beginning of year		-	37,952	1,499,014	226,051	802,392	245,358	1,207,692	-	4,018,459
Amortization		-	15,131	98,702	46,261	60,137	34,506	20,755	-	275,492
Accumulated amortization, end of year		-	53,083	1,597,716	272,312	862,529	279,864	1,228,447	-	4,293,951
Net carrying amount, end of year	\$	40,001	\$ 113,482	\$ 1,719,777	\$ 1,940,937	\$ 581,337	\$ 277,651	\$ 291,071	\$ -	\$ 4,964,256

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



**Thessalon First Nation**  
**Schedule 2 - Consolidated Segment Disclosure**

**For the year ended March 31, 2023**

	Social Programs	Education	Infra- structure	Medical/ Health	Admin- istration Governance	Housing/ Community	Enterprises/ Economic	Other	Consolidated Total
<b>Revenue</b>									
Canada	\$ 25,165	\$ 1,268,687	\$ 421,175	\$ 893,144	\$ 304,649	\$ 637,127	\$ 260,051	\$ 416,220	\$ 4,226,218
Ontario	262,979	-	-	34,892	18,000	160,966	-	81,164	558,001
Ontario First Nations Limited Partnership	-	-	-	-	-	-	-	667,471	667,471
Aboriginal organizations	227,275	500	115	727,000	866	66	320,448	43,382	1,319,652
Sales, rentals and other	-	827	178	2,613	15,414	76,345	879,697	58,407	1,033,481
Transfers between segments	46,200	-	42,500	-	130,000	64,210	357,326	(640,236)	-
	<b>561,619</b>	<b>1,270,014</b>	<b>463,968</b>	<b>1,657,649</b>	<b>468,929</b>	<b>938,714</b>	<b>1,817,522</b>	<b>626,408</b>	<b>7,804,823</b>
<b>Expenses</b>									
Salaries, wages and benefits	329,574	189,739	150,901	825,045	526,988	147,395	896,795	388,566	3,455,003
Materials and supplies	46,076	89,747	215,496	625,020	76,499	32,424	515,339	142,415	1,743,016
Contracted services	-	70	70,248	30,132	121,525	220,892	146,101	9,255	598,223
Rents and financial expenses	2,400	-	101,757	10,087	28,113	17,902	19,680	-	179,939
External transfers	177,278	917,136	9,830	-	-	-	-	-	1,104,244
Amortization	16,711	-	104,477	37,763	9,183	73,849	75,853	-	317,836
Transfers between segments	6,272	73,360	-	69,699	(304,936)	12,615	70,670	33,720	(38,600)
	<b>578,311</b>	<b>1,270,052</b>	<b>652,709</b>	<b>1,597,746</b>	<b>457,372</b>	<b>505,077</b>	<b>1,724,438</b>	<b>573,956</b>	<b>7,359,661</b>
<b>Excess (deficiency) of revenue over expenses</b>	<b>\$ (16,692)</b>	<b>\$ (38)</b>	<b>\$ (188,741)</b>	<b>\$ 59,903</b>	<b>\$ 11,557</b>	<b>\$ 433,637</b>	<b>\$ 93,084</b>	<b>\$ 52,452</b>	<b>\$ 445,162</b>

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

**Thessalon First Nation**  
**Schedule 2 - Consolidated Segment Disclosure (continued)**

For the year ended March 31, 2022 (comparative figures)

	Social Programs	Education	Infra- structure	Medical/ Health	Admin- istration Governance	Housing/ Community	Enterprises/ Economic	Other	Consolidated Total
<b>Revenue</b>									
Canada	\$ 32,523	\$ 1,101,554	\$ 439,216	\$ 542,954	\$ 214,273	\$ 354,544	\$ 191,300	\$ 431,412	\$ 3,307,776
Ontario	285,489	-	-	-	15,000	84,270	48,000	54,437	487,196
Ontario First Nations Limited Partnership	-	-	-	-	-	-	-	454,460	454,460
Aboriginal organizations	261,334	100	-	691,844	-	-	138,972	40,127	1,132,377
Sales, rentals and other	270	-	-	2,730	4,740	16,579	969,921	4,188	998,428
Transfers between segments	18,265	-	-	-	50,000	5,000	341,505	(414,770)	-
	<u>597,881</u>	<u>1,101,654</u>	<u>439,216</u>	<u>1,237,528</u>	<u>284,013</u>	<u>460,393</u>	<u>1,689,698</u>	<u>569,854</u>	<u>6,380,237</u>
<b>Expenses</b>									
Salaries, wages and benefits	341,265	182,424	157,802	719,010	420,487	97,939	1,098,587	424,607	3,442,121
Materials and supplies	36,727	52,784	166,430	310,347	81,932	8,435	799,192	61,928	1,517,775
Contracted services	-	-	151,754	30,473	76,358	66,210	168,653	3,938	497,386
Rents and financial expenses	2,400	-	80,808	7,855	21,270	5,865	24,104	-	142,302
External transfers	157,266	801,180	17,408	-	-	-	-	-	975,854
Amortization	11,220	-	104,797	33,895	7,798	46,261	71,521	-	275,492
Transfers between segments	6,272	65,280	-	90,306	(349,757)	9,638	80,950	79,310	(18,001)
	<u>555,150</u>	<u>1,101,668</u>	<u>678,999</u>	<u>1,191,886</u>	<u>258,088</u>	<u>234,348</u>	<u>2,243,007</u>	<u>569,783</u>	<u>6,832,929</u>
<b>Excess (deficiency) of revenue over expenses</b>	<b>\$ 42,731</b>	<b>\$ (14)</b>	<b>\$ (239,783)</b>	<b>\$ 45,642</b>	<b>\$ 25,925</b>	<b>\$ 226,045</b>	<b>\$ (553,309)</b>	<b>\$ 71</b>	<b>\$ (452,692)</b>

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