

LAC SEUL FIRST NATION
INDEPENDENT AUDITOR'S REPORT
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2022

LAC SEUL FIRST NATION

MARCH 31, 2022

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To the Members of Lac Seul First Nation

The accompanying consolidated financial statements of the Lac Seul First Nation (the "First Nation") are the responsibility of management and have been approved by the Chief and Council of Lac Seul First Nation.

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of Chartered Professional Accountants of Canada and as such include certain amounts based on estimates or judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the consolidated financial statements are presented fairly, in all material respects.

The First Nation maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the First Nation's assets are appropriately accounted for and adequately safeguarded.

The First Nation is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements.

The Chief and Council review the First Nation's consolidated financial statements and recommends their approval to the membership. Chief and Council meet periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, to review the consolidated financial statements and the external auditor's report. The Chief and Council also consider and submit for approval by the Members, the engagement of the external auditors.

The consolidated financial statements have been audited by Fort Group Chartered Professional Accountants Inc. in accordance with Canadian generally accepted auditing standards on behalf of the members. Fort Group Chartered Professional Accountants Inc. have full and free access to Chief and Council.

Director of Finance

INDEPENDENT AUDITOR'S REPORT

To The Members of Lac Seul First Nation and Chief and Council:

Qualified Opinion

We have audited the accompanying consolidated financial statements of Lac Seul First Nation (the "First Nation"), which comprise the consolidated statement of financial position as at March 31, 2022, and the consolidated statements of operations and accumulated surplus, changes in net financial assets and cash flow for the year then ended, and the notes to consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects and possible effects of the matters described in the Basis for Qualified Opinion section of this report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated statement of financial position of Lac Seul First Nation as at March 31, 2022, and the results of its consolidated operations and its consolidated cash flow for the year then ended, in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

The First Nation has identified and deferred revenue for surpluses to select programs with fixed contribution and own sourced funding. Canadian public sector accounting standards require that program revenue that has no fixed timeline for use or stipulations for repayment, be included in surplus for the year. In these respects, the consolidated financial statements are not in accordance with Canadian public sector accounting standards. Had the revenue not been deferred, the following adjustments would be recorded: increase in total revenue of \$24,775,920 (2021 - \$13,013,506), a decrease of deferred revenue of \$24,775,920 (2021 - \$13,013,506), increase in annual surplus of \$24,775,920 (2021 - \$13,013,506), increase in accumulated surplus of \$24,775,920 (2021 - \$13,013,506), and a increase in net financial assets of \$24,775,920 (2021 - \$13,013,506).

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 Financial Statements* section of our report. We are independent of the organization 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 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 financial statements, management is responsible for assessing the organization'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.

Your Foundation for the Future.

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


Our objectives are to obtain reasonable assurance about whether the 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 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 representing the underlying transactions and events in a manner that achieved 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 non-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.

WINNIPEG, MANITOBA
November 29, 2022



CHARTERED PROFESSIONAL
ACCOUNTANTS INC.



**LAC SEUL FIRST NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2022**

	<u>2022</u>	<u>2021</u>
FINANCIAL ASSETS		
Cash	\$ 31,488,645	19,055,556
Accounts receivable (Note 3)	6,475,560	4,151,576
Restricted cash and GICs (Note 4)	4,381,427	3,125,902
Portfolio investments (Note 5)	7,100,477	6,597,393
Flood claim settlement cash and portfolio investments (Note 6)	1,272,863	1,318,512
Investments restricted in Lac Seul First Nation Trust (Note 7)	<u>21,098,617</u>	<u>20,792,468</u>
	<u>71,817,589</u>	<u>55,041,407</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 8)	4,334,354	4,118,708
Deferred revenue (Note 9)	26,404,089	14,289,243
Income taxes payable	6,612	10,272
Long-term debt (Note 10)	12,094,700	13,038,183
Trust liabilities (Note 6)	<u>684,367</u>	<u>718,272</u>
	<u>43,524,122</u>	<u>32,174,678</u>
NET FINANCIAL ASSETS	<u>28,293,467</u>	<u>22,866,729</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 12) (Schedule 1)	59,812,165	58,556,656
Prepaid expenses	<u>7,106</u>	<u>419,115</u>
	<u>59,819,271</u>	<u>58,975,771</u>
ACCUMULATED SURPLUS (Note 13)	<u>\$ 88,112,738</u>	<u>81,842,500</u>

APPROVED BY THE FIRST NATION:

 _____ Councillor	 _____ Chief
 _____ Councillor	 _____ Councillor
 _____ Councillor	 _____ Councillor
 _____ Councillor	_____ Councillor

LAC SEUL FIRST NATION
CONSOLIDATED SCHEDULE OF OPERATIONS AND ACCUMULATED SURPLUS
YEAR ENDED MARCH 31, 2022

	Schedules	2022 Budget	2022 Actual	2021 Actual
REVENUES				
Indigenous Services Canada (Note 14)		\$ 37,107,651	\$ 31,276,510	14,919,038
Other revenue		16,591,797	14,439,563	12,814,353
Province of Ontario		9,777,775	5,680,022	4,451,553
First Nations and Inuit Health (Note 15)		4,496,958	4,644,958	4,976,228
Canada Mortgage and Housing Corporation		942,170	911,814	858,096
Ontario First Nations Limited Partnership		990,345	1,160,587	1,913,405
Investment income earned on portfolio investments		186,049	2,231,187	2,074,338
Revenue deferred in prior year (Note 9)		11,376,230	14,289,243	7,694,768
Revenue deferred to subsequent year (Note 9)		-	(26,404,089)	(14,289,243)
		<u>81,613,821</u>	<u>48,229,795</u>	<u>35,412,536</u>
SEGMENT EXPENSES				
Band Management	4	15,503,090	11,687,960	9,257,841
Social Services	5	5,533,249	4,191,855	4,477,268
Capital	6	22,862,068	759,722	884,138
Lac Seul Education Authority	7	14,720,912	8,133,343	6,123,482
Economic Development	8	2,824,676	295,842	723,883
Operations and Maintenance	9	5,849,610	3,415,645	2,600,849
Health Services	10	10,134,164	6,065,122	4,672,275
Operating Programs	11	4,791,937	2,486,820	2,050,941
Ontario First Nations Limited Partnership	12	458,813	454,022	216,652
Flood Claim Settlement	13	-	10,493	477
Ke-nawind Housing Development Authority	14	875,654	733,526	656,484
Obishikokaang Resources Corporation	15	-	2,069,824	1,580,529
2361701 Ontario Inc	16	-	1,200	2,100
Waaninaawagaang Developments LP	17	-	2,394	4,038
Lac Seul CMHC Housing Authority	18	1,400,903	1,455,263	1,516,758
Lac Seul First Nations Trust	19	-	196,526	173,409
		<u>84,955,076</u>	<u>41,959,557</u>	<u>34,941,124</u>
ANNUAL SURPLUS (DEFICIT) BEFORE OTHER ITEM		(3,341,255)	6,270,238	471,412
OTHER ITEM				
Gain on sale of tangible capital assets		-	-	50,000
ANNUAL SURPLUS (DEFICIT)		(3,341,255)	6,270,238	521,412
ACCUMULATED SURPLUS, BEGINNING OF YEAR				
		-	81,842,500	81,321,088
ACCUMULATED SURPLUS (DEFICIT), END OF YEAR		<u>\$ (3,341,255)</u>	<u>\$ 88,112,738</u>	<u>81,842,500</u>

**LAC SEUL FIRST NATION
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
YEAR ENDED MARCH 31, 2022**

	<u>Budget</u>	<u>2022 Actual</u>	<u>2021 Actual</u>
ANNUAL SURPLUS (DEFICIT)	\$ (3,341,255)	6,270,238	521,412
Tangible capital assets			
Purchase of tangible capital assets	-	(6,766,740)	(4,564,048)
Amortization of tangible capital assets	-	5,511,231	5,099,905
Gain on sale of tangible capital assets	-	-	(50,000)
Proceeds on gain of tangible capital assets	-	-	50,000
	-	(1,255,509)	535,857
Other non-financial assets			
Change in prepaid expenses	-	412,009	(407,198)
CHANGE IN NET FINANCIAL ASSETS	(3,341,255)	5,426,738	650,071
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>22,866,729</u>	<u>22,866,729</u>	<u>22,216,658</u>
NET FINANCIAL ASSETS, END OF YEAR	\$ <u>19,525,474</u>	<u>28,293,467</u>	<u>22,866,729</u>

**LAC SEUL FIRST NATION
CONSOLIDATED STATEMENT OF CASH FLOW
YEAR ENDED MARCH 31, 2022**

	<u>2022</u>	<u>2021</u>
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Annual surplus	\$ 6,270,238	521,412
Add back non-cash item(s):		
Amortization of tangible capital assets	5,511,231	5,099,905
Gain on sale of tangible capital assets	<u>-</u>	<u>(50,000)</u>
	11,781,469	5,571,317
Change in non-cash working capital:		
Accounts receivable	(2,323,984)	805,623
Accounts payable and accrued liabilities	215,646	625,372
Deferred revenue	12,114,846	6,594,475
Prepaid expenses	412,009	(407,198)
Taxes payable	<u>(3,660)</u>	<u>10,272</u>
	<u>22,196,326</u>	<u>13,199,861</u>
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(6,766,740)	(4,564,048)
Proceeds on sale of tangible capital assets	<u>-</u>	<u>50,000</u>
	<u>(6,766,740)</u>	<u>(4,514,048)</u>
INVESTING ACTIVITIES		
Change in restricted cash	(1,255,525)	20,056
Purchases of portfolio investments	(763,584)	(1,183,228)
Change in trust liabilities	<u>(33,905)</u>	<u>(32,557)</u>
	<u>(2,053,014)</u>	<u>(1,195,729)</u>
FINANCING ACTIVITIES		
Advances of long-term debt	-	2,589,159
Repayment of long-term debt	<u>(943,483)</u>	<u>(761,450)</u>
	<u>(943,483)</u>	<u>1,827,709</u>
CHANGE IN CASH	12,433,089	9,317,793
CASH, BEGINNING OF YEAR	<u>19,055,556</u>	<u>9,737,763</u>
CASH, END OF YEAR	<u>\$ 31,488,645</u>	<u>19,055,556</u>
CASH IS REPRESENTED BY:		
Obishikokaang Resources Corporation	\$ 1,481,854	1,164,919
Ke-nawind Housing Development Authority	2,226,467	3,299,323
Lac Seul CMHC Housing Authority	254,628	238,651
Waaninaawagaang Developments Limited Partnership	70,330	232,975
2361701 Ontario Inc.	100	100
Lac Seul First Nation Trust	-	584,527
Lac Seul First Nation - Admin - CIBC Operating	12,899,496	4,140,929
Lac Seul First Nation - Admin - Settlement	3,835,717	2,425,069
Lac Seul First Nation - Admin - LS Ear Falls Generating Station	1,079,831	1,312,045
Lac Seul First Nation - Admin - CIBC Casino Rama	314,558	993,639
Lac Seul First Nation - Admin - RBC Casino Rama	3,882,297	3,569,199
Lac Seul First Nation - Social - CIBC Operating	1,240,189	442,918
Lac Seul First Nation - Admin - RBC Annual Income	2,525,170	-
Lac Seul First Nation - Admin - Other	<u>1,678,008</u>	<u>651,262</u>
	<u>\$ 31,488,645</u>	<u>19,055,556</u>

**LAC SEUL FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2022**

1. ACCOUNTING ENTITY

The Lac Seul First Nation (the "First Nation") is located in the Province of Ontario, and provides various services to its members. Lac Seul First Nation includes the First Nation government and all related entities that are accountable to the First Nation and are either owned or controlled by the First Nation.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The First Nation follows the Indigenous Services Canada ("ISC") accounting guidelines as set out in the "Year End Reporting Handbook for funding agreements covering fiscal year 2020-2021" which requires that the consolidated financial statements be prepared in accordance with Canadian generally accepted accounting principles for governments, as defined in the Chartered Professional Accountants of Canada Public Sector Accounting Handbook.

(b) Reporting Entity

The First Nation is a non-profit Indian Band as defined by ISC. The objective of the First Nation is to operate as the governing entity in providing services on the reserve in all areas. The First Nation reporting entity includes all related entities which are accountable to the First Nation and are either owned or controlled by the First Nation.

The safety measures to combat COVID-19 (Coronavirus) and the government response continue to evolve and change quickly. It is management's opinion that the First Nation has adequately adapted to the impact of this pandemic and will continue to maintain operations for the foreseeable future. While management will continue to monitor and evaluate the implications of the pandemic, it is difficult to predict the extent and duration this pandemic could have on the future finances and operations of the First Nation.

(c) Basis of Consolidation

All controlled entities are fully consolidated on a line-by-line basis. This method combines the accounts of distinct organizations. It requires uniform accounting policies for the organizations. Inter-organizational balances and transactions are eliminated under this method. This method reports the organizations as if they were one organization. These financial statements include the financial assets, liabilities, net debt, non-financial assets, accumulated surplus, revenue and expenses for the following entities controlled or owned by the First Nation:

- Lac Seul First Nation
- Flood Claim Settlement
- Ke-nawind Housing Development Authority (which oversees Social and Band housing)
- Obishikokaang Resources Corporation
- 2361701 Ontario Inc. (the General Partner in Waaninaawagaang Developments Limited Partnership)
- Waaninaawagaang Developments Limited Partnership
- Lac Seul CMHC Housing Authority (which manages operating activities for houses financed by CMHC)
- Lac Seul First Nation Trust
- 2245350 Ontario Inc. (incorporated for the purpose of owning particular assets on behalf of Lac Seul First Nation)
- Lac Seul Holdings Inc. (which owns land used as a cemetery)
- Lac Seul Ear Falls GP Ltd. (which owns .01% of Lac Seul Generating Station Limited Partnership)

**LAC SEUL FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2022**

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Basis of Consolidation (Continued)

- Lac Seul Training Centre of Excellence (formerly 1871032 Ontario Inc.)
- Lac Seul Mining & Exploration General Partner (formerly 1433808 Ontario Inc.)
- Lac Seul Limited Partnership (venturer in Lac Seul Domco Catering and Housekeeping Joint Venture)

(d) Basis of Presentation

Sources of revenue and expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes available and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

(e) Asset Classification

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations. Non-financial assets are acquired, constructed or developed assets that do not provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale. Non-financial assets include tangible capital assets and prepaid expense.

(f) Cash Resources

Cash resources include balances with banks and short-term investments with maturities of three months or less. Cash subject to restrictions that prevent its use for current purpose is included in restricted cash.

(g) Portfolio Investments

Portfolio investments include investments in common shares, guaranteed investment certificates and investments in entities that are not controlled by the First Nation. Investments in common shares and guaranteed investment certificates are recorded at known market value. Investments in entities that are not controlled by the First Nation are recorded at cost, less any provision for other than temporary impairment.

(h) Funds Held in Trust

Funds held in trust on behalf of First Nation members by the Government of Canada in the Ottawa Trust Fund are reported on the consolidated statement of financial position with an offsetting amount in accumulated surplus. Trust monies consist of:

- Capital trust monies derived from non-renewable resource transactions on the sale of land or other First Nation tangible capital assets; and
- Revenue trust monies generated primarily through land leasing transactions or interest earned on deposits held in trust.

(i) Net Financial Assets

The First Nation's financial statements are presented so as to highlight net financial assets as the measurement of financial position. The net financial assets of the First Nation is determined its financial assets less its liabilities. Net financial assets combined with non-financial assets comprise a second indicator of financial position, accumulated surplus.

**LAC SEUL FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2022**

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Deferred Revenue

Deferred revenue represents funding received or receivable under the terms of their respective funding arrangements for specified purposes and for which the related expenses have not been incurred. Unspent funding or expenses made which are not in accordance with the terms of the funding arrangements may constitute a debt to the funding authority upon review of the funding agreement. Note 9 contains a summary of deferred revenue by project.

(k) Tangible Capital Assets

Tangible capital assets include acquired, built, developed and improved tangible capital assets, whose useful life extends beyond one year and which are intended to be used on an ongoing basis for producing goods or delivering services.

Tangible capital assets are reported at gross cost.

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.

(l) Amortization

Amortization of tangible capital assets is recognized as an expense in the Statement of Operations.

Amortization is provided for on a straight-line basis at the rates in the table that follows. One-half of the annual amortization is charged in the year of acquisition and in the year of disposal.

Buildings	25 years
Infrastructure	25 years
Band housing	20 years
Social housing	20 years
Roads and bridges	25 years
Equipment and vehicles	5 years
Land improvements	25 years
Water treatment plant	20 years

(m) Construction in Progress

Construction in progress represents the total cost of assets being constructed that are not available for use. When the construction phase has been completed and the assets are available for use they are amortized according to the rates indicated above.

(n) Long-lived Assets

Long-lived assets consist of tangible capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The First Nation performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying amount of an asset, group of assets, exceeds the value of future economic benefits associated with the asset. Impairment is measured as the amount by which the asset's carrying value exceeds the residual value of the asset's service potential to the First Nation. Any impairment is included in the consolidated statement of operations during the year in which the asset becomes impaired.

(o) Intangible Assets

The First Nation owns various intangible assets inherited by the right of the Crown, such as Crown lands, forests, water, and mineral resources. These items are not recognized in the First Nation's consolidated financial statements in accordance with PS 1200 Financial Statement Presentation.

**LAC SEUL FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2022**

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Revenue Recognition

Government transfers

Government transfer revenue, including, but not limited to, Indigenous Services Canada, First Nations and Inuit Health, Province of Ontario and Canada Mortgage and Housing Corporation Funding, is recognized as the funding becomes receivable under the terms of applicable funding agreements. Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that the 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.

Other revenue

Rent and resident fees are recorded in the year they are earned. At the end of each year, management evaluates the extent of the collectability of its rent revenue and records a bad debt and allowance for doubtful accounts for amounts designated as unlikely to be collected.

Investment and interest revenue is recognized on an accrual basis in the year that it is earned.

All other types of revenue are recognized by the First Nation when the services are provided or the goods are shipped and collectability is reasonably assured.

(q) Measurement Uncertainty

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting periods presented. Actual results could differ from these estimates.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of tangible capital assets. Deferred revenue is recorded based on management analysis of the extent to which eligibility requirements have been met on government transfer revenue.

These estimates are reviewed periodically, and, as adjustment becomes necessary, they are reported in the consolidated statement of operations in the year in which they become known.

(r) Financial Instruments

Financial instruments include cash resources, accounts receivable, restricted cash, portfolio investments, flood claim settlement portfolio investments, investments in Lac Seul First Nation Trust, accounts payable and accrued liabilities, and long-term debt.

The First Nation initially measures its financial instruments at fair value when the asset or liability is first recognized. The First Nation subsequently measures its financial instruments at cost or amortized cost. Amortized cost is the amount at which the financial instrument is measured at initial recognition less principal repayments, plus or minus the cumulative of any difference between that initial amount and the maturity amount, and minus any reduction for impairment.

Unless otherwise stated, it is management's opinion that the First Nation is not exposed to significant interest, currency or credit risks arising from these financial instruments.

**LAC SEUL FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2022**

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Liability for Contaminated Site

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the First Nation is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at March 31, 2021.

At each financial reporting date, the First Nation reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. The First Nation continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

(t) Segmented Information

The First Nation conducts its business through fifteen reportable segments as identified below. These operating segments are established by senior management to facilitate the achievement of the First Nation's long-term objectives to aid in resource allocation decisions and to assess operational performance. For each reported segment, revenue and expenses represent both 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. These segments are differentiated by the major activities or services they provide. The First Nation's segments are as follows:

Band Management - activities include the governance function related to decisions that define expectations, grant power or verify performance consisting of decision-making and leadership processes. The planning, managing and delivery of large scale infrastructure and capital projects to the community.

Social Services - activities include satisfying the economic, social or health related needs of members of the community who require assistance

Capital - activities include the planning, managing and delivery of infrastructure and capital projects to the community.

Lac Seul Education Authority - activities include overseeing many aspects of educational opportunities to its members at all levels of learning both within the community and externally.

Economic Development - activities include the planning, managing and delivery of various business projects.

Operations and Maintenance - activities include the development and maintenance of the community's infrastructure, buildings, roads, bridges and related equipment and the provision of other more specialized community services.

Health Services - delivers health services to the First Nation.

Operating Programs - activities include managing and delivery of other First Nations operating programs.

Ke-nawind Housing Development Authority - activities include the provision of residential housing opportunities for community members.

**LAC SEUL FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2022**

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Segmented Information (Continued)

Obishikokaang Resources Corporation - activities include managing forestry operations.

Ontario First Nations Limited Partnership - includes the funding received from Ontario First Nation Limited Partnership and its distribution of other programs.

2361701 Ontario Inc. - general Partner of Tim Horton's franchise operations.

Waaninaawagaang Developments Limited Partnership - Tim Horton's operations.

Lac Seul CMHC Housing Authority - activities include the management and maintenance of CMHC houses for community members.

Lac Seul First Nation Trust - the purpose of the Trust is to establish a long-term investment strategy to support the priorities of the First Nation, pursuant to the Lac Seul Flood Claim Settlement agreement, in which the First Nation was authorized to receive certain compensation from the Government of Canada.

3. ACCOUNTS RECEIVABLE

	<u>2022</u>	<u>2021</u>
Indigenous Services Canada	\$ 2,314,710	640,438
Canada Mortgage and Housing Corporation	259,743	145,449
Province of Ontario	1,322,600	944,823
Trade	782,254	538,345
Shooniyaa	20,794	491,915
OFNLP	1,442,900	1,085,177
Shared Spirits	<u>332,559</u>	<u>305,429</u>
	<u>\$ 6,475,560</u>	<u>4,151,576</u>

4. RESTRICTED CASH AND GICS

	<u>2022</u>	<u>2021</u>
Ottawa Trust Funds		
Capital account	\$ 86,234	86,234
Revenue account	<u>95,504</u>	<u>92,677</u>
	<u>181,738</u>	<u>178,911</u>
Other		
CMHC replacement reserve	38	770,685
CMHC operating reserve	65	97,311
CMHC GIC - replacement - maturing March 2, 2023 at 0.8%	970,266	-
CMHC GIC - operating - maturing March 2, 2023 at 0.8%	1,376,249	-
Funds held in trust by project financial account manager (WTP)	<u>1,853,071</u>	<u>2,078,995</u>
	<u>4,199,689</u>	<u>2,946,991</u>
	<u>\$ 4,381,427</u>	<u>3,125,902</u>

**LAC SEUL FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2022**

4. RESTRICTED CASH (Continued)

Ottawa Trust Fund

The Ottawa Trust Fund arises 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 and are subject to audit by the Office of the Auditor General of Canada. The management of these funds is similarly governed by Sections 63 to 69 of the Indian Act. Revenue from the Ottawa Trust Fund is recognized in the year in which it is earned, when it is measurable and when collection is reasonably assured. Capital and Revenue trust monies are transferred to the First Nation on the authorization of the Minister of Indigenous Services Canada, with consent of the First Nation's Chief and Council. Interest revenue earned in the Revenue account amounted to \$2,827 (2021 - \$2,220). Interest revenue earned in the Capital account amounted to \$Nil (2021 - \$Nil).

CMHC replacement reserve

As required as part of the First Nation's Canada Mortgage and Housing Corporation ("CMHC") Housing program, a separate bank account has been established for replacement of capital equipment and for major repairs to the houses. Under the terms of the agreements with CMHC, the replacement reserve must either be held in a separate bank account or invested in accounts or instruments secured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time. At March 31, 2022, the replacement reserve bank account was over funded by \$86,230 (2021 - under funded by \$53,428).

CMHC operating reserve

In accordance with the terms of the agreements with Canada Mortgage and Housing Corporation ("CMHC"), the First Nation established an operating surplus reserve. The operating surplus reserve is a component of accumulated surplus and is increased by interest revenue and increased or decreased by the annual surplus (deficit) from operations. The operating surplus reserve must be held or invested only in accounts or instruments guaranteed by Canada Deposit Insurance Corporation, or as otherwise approved by CMHC. The operating reserve account was under funded by \$174,606 (2021 - \$1,278,206).

Funds held in trust by project financial account manager (WTP)

The First Nation has a chequing account that require a co-signature from a representative from Keewatin-Aski Ltd. As at March 31, 2022, funds held in this account have been restricted for the purpose of settling all liabilities related to the Water Treatment Plant.

**LAC SEUL FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2022**

5. PORTFOLIO INVESTMENTS

	<u>2022</u>	<u>2021</u>
Shared Spirits Limited Partnership	\$ 305,480	300,049
Mutual funds	1,127,769	1,927,901
First Nations Limited Partnership - 1 unit (4.55% interest)	10	10
2472881 Ontario Inc. - 100 units (4.55% interest)	10	10
Landmark Inn Limited Partnership - 3 common shares (11.54% interest)	147,000	147,000
Ontario First Nation Sovereign Wealth LP - 1 unit (0.77% interest)	1	1
Ontario First Nation Asset Management GP Corp. - 1 share (0.01% interest)	1	1
Kinross Gold Corporation - common shares	1,457,719	769,350
Ontario First Nations Limited Partnership - 1 unit (1.77% interest)	1	1
Lac Seul Generating Station Limited Partnership (25.00% interest)	3,185,239	3,259,555
Obish Construction LP - 510 units (51.00% non-controlling interest)	510	510
Guaranteed investment certificate (Ears Falls Capital Reserve)	<u>876,737</u>	<u>193,005</u>
	<u>\$ 7,100,477</u>	<u>6,597,393</u>

Other than the following investments: RBC Dominion Securities cash account, mutual funds, Aurcrest Gold Inc., Advance Aurcrest Gold Inc., Kinross Gold Corporation - common shares and the guaranteed investment certificate which have quoted market values at March 31, 2022, each of the portfolio investments listed above represents an investment for which there is no reasonable method to determine an approximate market value because of one or more of the following reasons: a quoted market value is not available, there is infrequent activity in the market, the market is not well established or small volumes are traded relative to the number of trading units of the investment held by the First Nation. For each of the investments where market values are not reasonably determined, no major changes in the equity or financial position of the investee, since the investments were acquired, are known.

6. FLOOD CLAIM SETTLEMENT CASH AND PORTFOLIO INVESTMENTS

	<u>2022</u>	<u>2021</u>
Funds held for per capita distribution to First Nation Members	\$ 588,496	600,240
Flood claim settlement funds held in trust	<u>684,367</u>	<u>718,272</u>
	<u>\$ 1,272,863</u>	<u>1,318,512</u>

The First Nation began to carry out a decision made by the Chief and Council on December 19, 2018 regarding the Flood Claim Settlement portfolio investments. A process was initiated to make a one-time per capita payment in the amount of \$1,250 to all eligible First Nation members. The total estimated payout is \$4,275,000. Eligible members who are 18 years of age and older were able to receive payment in the form of a cheque or direct deposit. Eligible members under the age of 18 had their funds placed in trust until the individual turns 18 years of age.

**LAC SEUL FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2022**

7. INVESTMENTS RESTRICTED IN LAC SEUL FIRST NATION TRUST

	<u>2022</u>	
	<u>Cost</u>	<u>Market Value</u>
Equity Investments	\$ 11,203,200	10,537,878
Bonds	9,447,429	11,719,394
Money Market Funds	<u>447,988</u>	<u>447,988</u>
	<u>\$ 21,098,617</u>	<u>22,705,260</u>

	<u>2021</u>	
	<u>Cost</u>	<u>Market Value</u>
Equity Investments	\$ 10,417,220	12,097,758
Bonds	9,934,093	9,965,321
Money Market Funds	<u>441,155</u>	<u>441,155</u>
	<u>\$ 20,792,468</u>	<u>22,504,234</u>

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2022</u>	<u>2021</u>
Trade payables and accrued liabilities	\$ 2,916,805	2,955,204
Ontario Works advance payable	764,776	810,310
Source deductions payable	152,694	-
Indigenous Services Canada	<u>500,079</u>	<u>353,194</u>
	<u>\$ 4,334,354</u>	<u>4,118,708</u>

**LAC SEUL FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2022**

9. DEFERRED REVENUE	<u>2022</u>	<u>2021</u>
Indigenous Services Canada		
Waste Management Study	\$ 41,477	13,740
Frenchman's Head Water Feasibility Study	39,512	83,231
Education - Instructional Services	6,745,164	5,901,275
Economic Development - Comprehensive Planning	-	53,140
Public Works - Water Systems	35,664	171,323
Public Works - Education Facility Operations and Maintenance	323,348	130,558
Public Works - Community Building	119,955	-
Roundhouse	871,245	1,545,341
COVID-19 Funding	421,917	418,012
CFS Bands Services	359,494	732,382
Sewer Treatment and Collection	5,934,326	-
Bring Our Children Home	3,584,723	-
Modular Housing Units	772,294	-
Fire Truck Replacement	322,691	-
Short-term System Upgrades	<u>1,462,651</u>	<u>-</u>
	<u>21,034,461</u>	<u>9,049,002</u>
First Nations and Inuit Health		
National Native Alcohol and Drug Abuse Program	34,686	34,686
Jordan's Principle - Choose Life	7,376	54,160
Healthy Child Development	74,817	315,763
Brighter Futures	182,587	-
Health	39,276	18,652
Youth Solvent Abuse	22,648	12,920
Public Health Nursing	452,034	85,281
Prenatal Nutrition Program	23,257	7,935
Health Planning and Management	19,459	26,010
Facilities O&M	19,714	11,677
HIV/AIDS	8,648	4,324
Home & Community	49,669	105,570
Dental Treatment	4,070	2,872
Building Healthy Communities	338,679	338,679
FNWWAP Public Health	17,911	18,500
COVID-19 Funding	252,369	290,970
Tobacco Control Strategy	22,345	11,543
Vision Care	<u>773</u>	<u>-</u>
	<u>1,570,318</u>	<u>1,339,542</u>

**LAC SEUL FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2022**

9. DEFERRED REVENUE (Continued)

Other

Ontario Power Authority	-	2,556
NAN	-	18,281
Other	12,062	14,119
Hydro One - Community Road Brushcutting	-	40,000
Natural Resource Canada Biomass Project	-	179,578
Grand Council Treaty #3 - Resource Sharing	717,458	290,766
Grand Council Treaty #3 - Fire and Emergency Response	259,215	442,666
Housing - Elders Assisted Living Project	161,159	1,473,923
Fire and Emergency Service - 911	-	48,000
Fire and Emergency Service - IFNA	40,930	19,547
United Ice Fishing Derby	-	3,261
Community Economic Development Officer	94,352	101,538
OFNLP Casino-rama funding	1,040,594	861,776
COVID-19 funding - Province of Ontario	73,133	59,230
Abinoojii	27,389	-
Province of Ontario - Red Lake	16,093	-
Paawadigoong - VAW support	9,261	-
Paawadigoong - Community Wellness	19,520	-
Paawadigoong - Healthy Babies	42,274	-
Nuclear Waste Management Training	78,094	-
GTC#3 - Abinoojii	258,499	-
Province of Ontario - Gravesite Remediation	39,802	-
COVID-19 funding	-	50,638

Social

COVID-19 funding	909,475	294,820
	<u>\$ 26,404,089</u>	<u>14,289,243</u>

**LAC SEUL FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2022**

10. LONG-TERM DEBT

	<u>2022</u>	<u>2021</u>
CMHC mortgage for a five-unit rental housing project, interest at 1.82%, repayable in blended monthly payments of \$2,128, maturing September 1, 2023, secured by a Ministerial Guarantee and assignment of fire insurance.	\$ 37,790	62,418
CMHC mortgage for a thirteen-unit rental housing project, interest at 1.86%, repayable in blended monthly payments of \$5,217, maturing May 1, 2032 with a renewal date of August 1, 2022, secured by a Ministerial Guarantee and assignment of fire insurance.	579,644	630,984
CMHC mortgage for a ten-unit rental housing project, interest at 1.84%, repayable in blended monthly payments of \$3,185, maturing September 1, 2032 with a renewal date of September 1, 2022, secured by a Ministerial Guarantee and assignment of fire insurance.	364,768	395,989
CMHC mortgage for a twelve-unit rental housing project, interest at 1.67%, repayable in blended monthly payments of \$3,731, maturing March 1, 2034 with a renewal date of July 1, 2024, secured by a Ministerial Guarantee and assignment of fire insurance.	486,750	523,095
CMHC mortgage for a ten-unit rental housing project, interest at 0.68%, repayable in blended monthly payments of \$5,229, maturing April 1, 2035 with a renewal date of October 1, 2025, secured by a Ministerial Guarantee and assignment of fire insurance.	785,257	842,456
CMHC mortgage for a six-unit rental housing project, interest at 1.11%, repayable in blended monthly payments of \$3,241, maturing March 1, 2036 with a renewal date of April 1, 2021, secured by a Ministerial Guarantee and assignment of fire insurance.	503,086	537,206
CMHC mortgage for a ten-unit rental housing project, interest at 2.70%, repayable in blended monthly payments of \$7,158, maturing March 1, 2038 with a renewal date of November 1, 2023, secured by a Ministerial Guarantee and assignment of fire insurance.	1,116,104	1,171,223
CMHC mortgage for a ten-unit rental housing project, interest at 2.70%, repayable in blended monthly payments of \$7,237, maturing September 1, 2038 with a renewal date of November 1, 2023, secured by a Ministerial Guarantee and assignment of fire insurance.	1,156,394	1,211,376
CMHC mortgage for a six-unit rental housing project, interest at 0.70%, repayable in blended monthly payments of \$2,621, maturing October 1, 2039 with a renewal date of September 1, 2025, secured by a Ministerial Guarantee and assignment of fire insurance.	520,222	547,931
CMHC mortgage for a ten-unit rental housing project, interest at 1.03%, repayable in blended monthly payments of \$6,580, maturing November 1, 2041 with a renewal date of November 1, 2021, secured by a Ministerial Guarantee and assignment of fire insurance.	<u>1,403,684</u>	<u>1,469,416</u>
Subtotal	\$ 6,953,699	7,392,094

**LAC SEUL FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2022**

10. LONG-TERM DEBT (Continued)

	<u>2022</u>	<u>2021</u>
Subtotal from previous page	\$ 6,953,699	7,392,094
CMHC mortgage for a four-unit rental housing project, interest at 1.03%, repayable in blended monthly payments of \$2,768, maturing November 1, 2041 with a renewal date of November 1, 2021, secured by a Ministerial Guarantee and assignment of fire insurance.	590,515	618,168
CMHC mortgage for a ten-unit rental housing project, interest at 1.89%, repayable in blended monthly payments of \$6,365, maturing August 1, 2044 with a renewal date of November 1, 2024, secured by a Ministerial Guarantee and assignment of fire insurance.	1,408,309	1,457,670
CMHC mortgage for a five-unit rental housing project, interest at 1.89%, repayable in blended monthly payments of \$6,128, maturing August 1, 2034 with a renewal date of November 1, 2024, secured by a Ministerial Guarantee and assignment of fire insurance.	828,051	885,405
CMHC mortgage for a ten-unit rental housing project, interest at 0.70%, repayable in blended monthly payments of \$12,819, maturing September 1, 2035 with a renewal date of September 1, 2025, secured by a Ministerial Guarantee and assignment of fire insurance.	1,981,112	2,120,563
Shared Spirits loan repayable in monthly payments of \$2,943 interest at RBC prime rate plus 1.72%, maturing June 1, 2021, secured by Band Council Resolution.	251,221	278,436
Loan repayable in monthly principal payments of \$1,700, financing charge incurred at commencement, interest at 6.95% annually, maturing Dec 1, 2025, secured by a garbage truck.	81,793	95,970
Loan repayable in monthly principal payments of \$2,933, financing charge incurred at commencement, interest at 7.89% annually, secured by a dump truck., originally maturing June 15, 2023, paid off in 2022 fiscal year.	-	79,192
Loan repayable in monthly payments of \$6,780, interest at 5.10%, secured by a tractor trailer, originally maturing August 29, 2022, paid off early in 2022 fiscal year.	-	110,685
	<u>\$ 12,094,700</u>	<u>13,038,183</u>

The principal portion of long-term debt is repayable for the years ended as follows:

March 31, 2023	\$ 768,629
2024	767,826
2025	766,970
2026	779,120
2027	785,691
Thereafter	<u>8,226,464</u>
	<u>\$ 12,094,700</u>

11. CONTINGENT LIABILITIES

The First Nation is subject to funding recoveries according to their agreement with federal agencies. It has not yet been determined to what extent any funding amounts related to the year ended March 31, 2022 might be recovered.

**LAC SEUL FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2022**

12. TANGIBLE CAPITAL ASSETS

Included in tangible capital assets are the following costs of construction in progress:

	<u>2022</u>	<u>2021</u>
Biomass heating plants	\$ 618,958	449,008
CMHC financed housing construction (2-5-unit project) - phase 16	1,467,193	602,399
Elders assisted living	1,312,767	-
Fire truck replacements	1,145,793	-
Housing	152,000	-
Kejick Bay Office	49,530	-
Lagoon project	837,957	542,317
Log homes pilot project	101,706	-
Round House architectural design plans	928,205	254,110
Water system upgrades	37,350	-
WFB Firehall	240,252	-
	<u>\$ 6,891,711</u>	<u>1,847,834</u>

13. ACCUMULATED SURPLUS

	<u>2022</u>	<u>2021</u>
CMHC operating reserve required amount	\$ 1,550,920	1,375,517
CMHC replacement reserve required amount	884,074	824,113
Flood claim settlement investments	21,098,617	20,792,468
Funds held in trust by project financial account manager (WTP)	1,853,071	2,078,995
Ottawa Trust Funds	181,738	178,911
Invested in tangible capital assets	47,879,487	45,518,473
Unrestricted accumulated surplus	14,664,831	11,074,023
	<u>\$ 88,112,738</u>	<u>81,842,500</u>

14. INDIGENOUS SERVICES CANADA FUNDING

The Indigenous Services Canada ("ISC") revenue of \$31,276,510 (2021 – \$14,919,038) on the consolidated statement of operations and accumulated surplus agrees to the ISC confirmation.

15. FIRST NATIONS AND INUIT HEALTH FUNDING

The First Nations and Inuit Health revenue of \$4,644,958 (2021 – \$4,976,228) on the consolidated statement of operations and accumulated surplus agrees to the First Nations and Inuit Health confirmation.

16. ECONOMIC DEPENDENCE

Lac Seul First Nation receives a significant portion of its revenue from Indigenous Services Canada ("ISC") and First Nations and Inuit Health as a result of Treaties entered into with the Government of Canada. These Treaties are administered by ISC under the terms and conditions of the Indian Act. The ability of the First Nation to continue operations is dependent upon the Government of Canada's continued financial commitments as guaranteed by these Treaties.

17. PENSION LIABILITIES

The First Nation remits its pension liabilities on a monthly basis and remittances were current at year end. Pension liabilities are not maintained in a separate bank account.

**LAC SEUL FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2022**

18. BUDGET INFORMATION

The disclosed budget information was approved by the Chief and Council of the Lac Seul First Nation.

19. COMPLIANCE WITH LAWS AND REGULATIONS

First Nations Financial Transparency and Accountability Act

The First Nation is required by the First Nations Financial Transparency and Accountability Act to post its consolidated financial statements on a website and submit the consolidated financial statements to Indigenous Services Canada by July 31, 2022. As the audit report is dated after this date, the First Nation is not in compliance with this requirement. The possible effect of this non-compliance has not yet been determined.

Provision for site rehabilitation

The Ontario Environmental Protection Act sets out the regulatory requirements to properly disclose and maintain active and inactive landfill sites. Under this environmental law, there is a requirement for closure and post-closure care of solid waste sites including covering and landscaping and ongoing environmental monitoring, site inspection and maintenance. As directed by PS 3270, a liability must be recognized beginning when the landfill first accepts waste to the date the landfill stops accepting waste. The liability for closure and post-closure care is recognized as the site capacity is used to the extent of the proportion of site capacity used compared to the estimated total expenditure required for closure and post-closure care.

The estimated total expenditure represents the sum of discontinued future cash flows associated with closure and post-closure care considering current technology, the length of the post-closure care period and current environmental regulations. Expenditures that relate to an existing condition caused by past operations, and which do not contribute to future asset service potential, are expensed in the current year.

At year-end, the extent to which the First Nation is bound by environmental laws of the Ontario Environmental Protection Act was not determinable; therefore, no liability has been recorded in these consolidated financial statements.

20. Internally Restricted Funds

The First Nation has internally set aside the following funds:

Economic Development

The First Nation has internally set aside \$1,753,474 (2020 - \$604,020) for Economic Development purposes. These funds are intended for equity or capital investments where favourable return on equity can be demonstrated. The money is included in cash.

Ear Falls Generating Station

The First Nation has internally set aside \$386,095 (2021 - \$95,172) relating to the Ear Falls Generating Station. The Ear Falls Generating Station agreement requires that the return on capital distributions be set aside for further capital upgrades to the facility. As at March 31, 2022, the total return on capital distributions were \$913,339 (2021 - \$870,288). The return on capital funds can be called by Ear Falls Generating Station should a capital upgrade be required.

21. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to reflect the financial statement presentation adopted for the current year.