

Consolidated Financial Statements of

MATACHEWAN FIRST NATION

And Independent Auditors' Report thereon

Year ended March 31, 2020

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Consolidated financial statements are not precise since they include certain amounts based on estimates and 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 a system of internal accounting and administrative controls. Such systems are designed to provide reasonable assurance that the consolidated financial information is relevant, reliable and accurate and the First Nation's assets are appropriately accounted for and adequately safeguarded.

The Chief and Council 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 recommend their approval. The Chief and Council meet to discuss and to review the annual report, the consolidated financial statements and the external auditors' report. The Chief and Council takes this information into consideration when approving the consolidated financial statements for issuance to the Members. The Chief and Council also consider the engagement of the external auditors.

The consolidated financial statements have been audited by KPMG LLP in accordance with Canadian generally accepted auditing standards on behalf of the First Nation.


Chief
Finance Officer



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INDEPENDENT AUDITORS' REPORT

To the Council and Members of Matachewan First Nation

Opinion

We have audited the consolidated financial statements of Matachewan First Nation (the "First Nation"), which comprise:

- the consolidated statement of financial position as at March 31, 2020
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and the notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements")

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the First Nation as at March 31, 2020, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibility under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' 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 responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibility of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 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 First Nation's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the First Nation or to cease operations or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the 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 auditors' 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 the 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 risk of material misstatement of the 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, internal 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 purposes 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 the 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 auditors' 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 auditors' 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group First Nation to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada

January 15, 2021

MATACHEWAN FIRST NATION

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Year ended March 31, 2020

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MATACHEWAN FIRST NATION

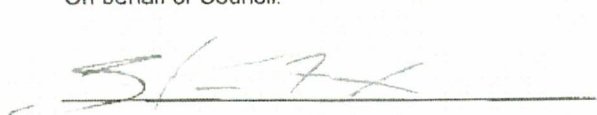
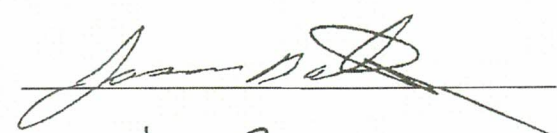
Consolidated Statement of Financial Position

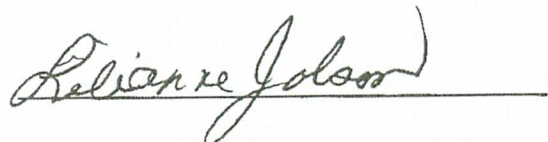

March 31, 2020, with comparative information for 2019

| | 2020 | 2019 |
|--|-------------------|-------------------|
| Financial Assets | | |
| Cash | \$ 21,944,824 | \$ 13,512,149 |
| Investments (note 2) | 4,224,570 | 4,155,378 |
| Consolidated revenue funds | 313,245 | 307,215 |
| Restricted assets - Matachewan First Nation Trust (note 3) | 3,546,410 | 3,500,000 |
| Accounts receivable | 2,596,161 | 1,960,515 |
| Investment in government business enterprises (note 4) | 10,168,614 | 9,308,470 |
| | <u>42,793,824</u> | <u>32,743,727</u> |
| Financial Liabilities | | |
| Accounts payable and accrued liabilities | 423,247 | 317,307 |
| Deferred revenue (note 8) | 4,622,110 | 853,953 |
| Long-term debt (note 9) | - | 616,136 |
| | <u>5,045,357</u> | <u>1,787,396</u> |
| Net financial assets | 37,748,467 | 30,956,331 |
| Non-Financial Assets | | |
| Tangible capital assets (note 10) | 5,903,779 | 6,122,619 |
| Prepaid expenses | 74,413 | 51,202 |
| | <u>5,978,192</u> | <u>6,173,821</u> |
| Contingent liabilities (note 11) | | |
| Effects of COVID-19 (note 12) | | |
| Accumulated surplus (note 13) | \$ 43,726,659 | \$ 37,130,152 |

See accompanying notes to consolidated financial statements.

On behalf of Council:



adrian Bouché

MATACHEWAN FIRST NATION

Consolidated Statement of Operations and Accumulated Surplus

Year ended March 31, 2020, with comparative information for 2019

| | 2020 | 2019 |
|--|---------------|---------------|
| Revenue: | | |
| Indigenous Services Canada (note 14) | \$ 1,352,949 | \$ 1,261,382 |
| Indigenous Services Canada - Health (note 14) | 286,426 | 235,821 |
| Ontario First Nations Limited Partnership | 744,076 | 853,903 |
| Provincial Funding | 213,687 | 256,470 |
| Federal Funding | 15,996,782 | - |
| Wabun Tribal Council | 352,760 | 338,038 |
| Interest | 435,283 | 226,422 |
| Other | 3,692,683 | 3,021,502 |
| Gain on sale of investments | - | 4,738,299 |
| Share of earnings from investment in government business enterprises | 960,146 | 815,846 |
| | 24,034,792 | 11,747,683 |
| Expenses: | | |
| Band Support | 14,146,330 | 650,586 |
| Community Operations | 426,603 | 438,065 |
| Economic Development - Core | 38,092 | 35,679 |
| Economic Development - Other Programs | 1,036,854 | 8,052,628 |
| Health | 772,065 | 634,298 |
| Education | 702,280 | 757,154 |
| Community Property | 54,950 | 70,546 |
| Business Operations | 196,820 | 178,294 |
| Ontario First Nations Limited Partnership | 34,326 | - |
| Matachewan First Nation Trust | 29,965 | - |
| | 17,438,285 | 10,817,250 |
| Excess of revenue over expenses | 6,596,507 | 930,433 |
| Accumulated surplus, beginning of year | 37,130,152 | 36,199,719 |
| Accumulated surplus, end of year | \$ 43,726,659 | \$ 37,130,152 |

See accompanying notes to consolidated financial statements.

MATACHEWAN FIRST NATION

Consolidated Statement of Changes in Net Financial Assets

Year ended March 31, 2020, with comparative information for 2019

| | 2020 | 2019 |
|--|---------------|---------------|
| Excess of revenue over expenses | \$ 6,596,507 | \$ 930,433 |
| Acquisition of tangible capital assets | (95,583) | (126,603) |
| Amortization of tangible capital assets | 314,423 | 318,901 |
| Loss on disposition of tangible capital assets | - | 25,943 |
| Proceeds on disposition of tangible capital assets | - | 9,052 |
| | 6,815,347 | 1,157,726 |
| Acquisition of prepaid expenses | (74,413) | (51,202) |
| Use of prepaid expenses | 51,202 | 55,191 |
| Change in net financial assets | 6,792,136 | 1,161,715 |
| Net financial assets, beginning of year | 30,956,331 | 29,794,616 |
| Net financial assets, end of year | \$ 37,748,467 | \$ 30,956,331 |

See accompanying notes to consolidated financial statements.

MATACHEWAN FIRST NATION

Consolidated Statement of Cash Flows

Year ended March 31, 2020, with comparative information for 2019

| | 2020 | 2019 |
|--|---------------|---------------|
| Cash flows from operating activities: | | |
| Excess of revenue over expenses | \$ 6,596,507 | \$ 930,433 |
| Adjustment for: | | |
| Share of earnings from investment in government business enterprises | (960,146) | (815,846) |
| Earnings from Matachewan First Nation Trust | (46,410) | - |
| Gain on sale of investments | - | (4,738,299) |
| Amortization of tangible capital assets | 314,423 | 318,901 |
| Loss on disposition of tangible capital assets | - | 25,943 |
| | 5,904,374 | (4,278,868) |
| Change in non-cash working capital: | | |
| Increase in accounts receivable | (635,646) | (387,190) |
| Decrease (increase) in prepaid expenses | (23,211) | 3,989 |
| Increase in accounts payable and accrued liabilities | 105,940 | 43,586 |
| Increase in deferred revenue | 3,768,157 | 466,034 |
| | 9,119,614 | (4,152,449) |
| Capital transactions: | | |
| Acquisition of tangible capital assets | (95,583) | (126,603) |
| Proceeds on disposition of tangible capital assets | - | 9,052 |
| | (95,583) | (117,551) |
| Cash flow from financing activities: | | |
| Repayment of long-term debt | (616,136) | - |
| Issuance of long-term debt | - | 118,545 |
| | (616,136) | 118,545 |
| Cash flow from investing activities: | | |
| Increase in consolidated revenue funds | (6,030) | (6,973) |
| Increase in restricted assets - Matachewan First Nation Trust | - | (3,500,000) |
| Proceeds on sale of investments | - | 8,024,649 |
| Acquisition of investments | (69,192) | (2,037,228) |
| Investment in government business enterprises | - | - |
| Distribution from investment in government business enterprise | 100,002 | 2,047,284 |
| | 24,780 | 4,527,732 |
| Net increase in cash | 8,432,675 | 376,277 |
| Cash, beginning of year | 13,512,149 | 13,135,872 |
| Cash, end of year | \$ 21,944,824 | \$ 13,512,149 |

See accompanying notes to consolidated financial statements.

MATACHEWAN FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2020

Matachewan First Nation, located in Northern Ontario, administers programs and provides services on behalf of its members.

1. Significant accounting policies:

These consolidated financial statements of Matachewan First Nation (the "First Nation") are the representation of management and have been prepared in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants Handbook. The following is a summary of the significant accounting policies followed in the preparation of these consolidated financial statements:

(a) Reporting entity:

- (i) The reporting entity includes all of the committees of council under the control of the First Nation.
- (ii) Investment in government business enterprises:

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

All controlled entities are fully consolidated on a line-by-line basis except for commercial enterprises which meet the definition of a government business enterprise, which are included in the consolidated financial statements on a modified equity basis. Inter-organizational balances and transactions are eliminated upon consolidation.

Organizations consolidated include:

- Matachewan First Nation Trust

Organizations accounted for on a modified equity basis include:

- Matachewan First Nation Limited Partnership ("MFNLP")
- Niiwin Limited Partnership ("NLP")
- Mashkiki Investment Limited Partnership ("MILP")

Under the modified equity basis, the government business enterprises' accounting policies are not adjusted to conform with those of the First Nation and inter-organizational transactions and balances are not eliminated. The First Nation recognizes its equity interest in the annual income or loss of the government business enterprises in its consolidated statement of operations and accumulated surplus with corresponding increase or decrease in its investment account.

(b) Basis of accounting

The First Nation follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

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Notes to Consolidated Financial Statements

Year ended March 31, 2020

1. Significant accounting policies (continued):

(c) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land and landfill sites, are amortized on a straight-line basis over their estimated useful lives as follows:

| | |
|-----------------------------------|-----------------|
| Buildings | 50 years |
| Furniture, computers and fixtures | 3 to 5 years |
| Vehicles and equipment | 3 to 20 years |
| Roads infrastructure | 80 years |
| Water systems | 20 and 50 years |
| Housing | 25 years |

Annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

(ii) Works of art and cultural and historic assets are not recorded as assets in these consolidated financial statements.

(d) Revenue recognition:

Revenue is recognized as it becomes receivable under the terms of applicable funding agreements. Funding received under funding arrangements which relate to a subsequent fiscal period is reflected as deferred revenue in the year of receipt and classified as such on the consolidated statement of financial position.

(e) Use of estimates:

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the carrying amount of tangible capital assets and valuation allowances for receivables. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

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Notes to Consolidated Financial Statements

Year ended March 31, 2020

1. Significant accounting policies (continued):

(f) Consolidated revenue funds:

Funds held in trust are comprised of funds held in Ottawa Trust accounts and 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 and are subject to audit by the Office of the Auditor General of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act.

(g) Prior year funding adjustments:

The First Nation has entered into accountable contribution arrangements with several government funding agencies. All such programs are subject to audit by the various governments, with audit adjustments repayable to the government.

Adjustments made under funding arrangements relating to prior years are charged to operations in the year during which the adjustments are made.

(h) Investments:

Investments in non-controlled entities are recorded at cost. Temporary declines in the market value of the investments are not adjusted.

2. Investments:

| | 2020 | | 2019 | |
|------------------------|--------------|--------------|--------------|--------------|
| | Cost | Market | Cost | Market |
| 48North Cannabis Corp. | \$ 2,017,284 | \$ 461,538 | \$ 2,017,284 | \$ 4,276,923 |
| Mining investments | 689,773 | 1,871,241 | 644,773 | 1,932,233 |
| Mutual funds | 1,517,513 | 1,517,513 | 1,493,321 | 1,493,321 |
| | \$ 4,224,570 | \$ 3,850,292 | \$ 4,155,378 | \$ 7,702,477 |

3. Restricted assets – Matachewan First Nation Trust:

Under the terms of an agreement with the trustees of the Matachewan First Nation Trust, the restricted assets are to be used for the benefit of the members of the First Nation for specified purposes outlined in the agreement. Disbursements are not to be made for the normal operating activities of the First Nation. The restricted assets of Matachewan First Nation Trust consist of the following:

| | 2020 | | 2019 | |
|---------------------------|--------------|--------------|--------------|--------------|
| | Cost | Market | Cost | Market |
| Cash | \$ 56,476 | \$ 56,476 | \$ 878,716 | \$ 878,716 |
| Net financial liabilities | (6,742) | (6,742) | — | — |
| Marketable securities | 3,496,676 | 3,637,290 | 2,621,284 | 2,629,071 |
| | \$ 3,546,410 | \$ 3,687,024 | \$ 3,500,000 | \$ 3,507,787 |

MATACHEWAN FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2020

4. Investment in government business enterprises:

The investment in government business enterprises is comprised of the following:

| | Ownership | 2020 | 2019 |
|---|-----------|---------------|--------------|
| MFNLP (note 5) | 99% | \$ 9,413,892 | \$ 8,584,642 |
| 2242185 Ontario Inc. ("MFNGP") (note 5) | 100% | 59,762 | 51,386 |
| NLP (note 6) | 24.75% | 694,063 | 671,768 |
| Niwin General Partner Inc. ("NGP") (note 6) | 25% | 897 | 672 |
| MILP (note 7) | 49.995% | — | 1 |
| Mashkiki Investment Inc. ("MII") (note 7) | 50% | — | 1 |
| | | \$ 10,168,614 | \$ 9,308,470 |

5. Investment in Matachewan First Nation Limited Partnership:

The First Nation has a direct 99% interest in Matachewan First Nation Limited Partnership and a further 1% interest by virtue of its 100% investment in 2242185 Ontario Inc., the general partner of MFNLP. MFNLP is engaged primarily in community and mining operations. The First Nation's interest in MFNLP's results of operations for the year ended March 31, 2020 is included in the First Nation's consolidated statement of operations and accumulated surplus.

The following table presents condensed supplementary financial information of MFNLP for the year ended March 31, 2020:

| | 2020 | 2019 |
|--|---------------|---------------|
| Financial position: | | |
| Total assets | \$ 11,733,557 | \$ 10,252,318 |
| Total liabilities | 2,455,280 | 1,803,536 |
| Net assets | \$ 9,278,277 | \$ 8,448,782 |
| Total equity attributable to equity holders of the Partnership | \$ 9,473,654 | \$ 8,636,028 |
| Non-controlling interest | (195,377) | (187,246) |
| Net assets | \$ 9,278,277 | \$ 8,448,782 |
| Results of operations: | | |
| Revenues | \$ 8,835,168 | \$ 8,180,182 |
| Expenses | (8,005,673) | (7,559,550) |
| Non-controlling interest loss (income) | 8,131 | (8,965) |
| Net income | \$ 837,626 | \$ 611,667 |

MATACHEWAN FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2020

5. Investment in Matachewan First Nation Limited Partnership (continued):

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

| | MFNLP | MFNGP | 2020 | 2019 |
|------------------------------|--------------|-----------|--------------|--------------|
| Balance, beginning of year | \$ 8,584,642 | \$ 51,386 | \$ 8,636,028 | \$ 8,024,361 |
| Share of income for the year | 829,250 | 8,376 | 837,626 | 611,667 |
| Balance, end of year | \$ 9,413,892 | \$ 59,762 | \$ 9,473,654 | \$ 8,636,028 |

6. Investment in Niiwin Limited Partnership:

The First Nation has a direct 24.75% interest in Niiwin Limited Partnership and a further 0.25% interest by virtue of its 25% investment in Niiwin General Partner Inc., the general partner of NLP. NLP is primarily engaged in developing business opportunities. The First Nation's interest in NLP's results of operations for the year ended March 31, 2020 is included in the First Nation's consolidated statement of operations and accumulated surplus.

The following table presents condensed supplementary financial information of NLP for the year ended March 31, 2020:

| | 2020 | 2019 |
|--|--------------|---------------|
| Financial position: | | |
| Total assets | \$ 5,244,094 | \$ 5,997,175 |
| Total liabilities | 2,464,253 | 3,307,414 |
| Net assets | \$ 2,779,841 | \$ 2,689,761 |
| Total equity attributable to equity holders of the Partnership | \$ 694,960 | \$ 672,440 |
| Non-controlling interest | 2,084,881 | 2,017,321 |
| Net assets | \$ 2,779,841 | \$ 2,689,761 |
| Results of operations: | | |
| Revenues | \$ 7,746,367 | \$ 11,576,530 |
| Expenses | (7,256,287) | (10,759,814) |
| Non-controlling interest | (367,560) | (612,537) |
| Net income | \$ 122,520 | \$ 204,179 |

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Notes to Consolidated Financial Statements

Year ended March 31, 2020

6. Investment in Niiwin Limited Partnership (continued):

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

| | | NLP | NGP | 2020 | 2019 |
|------------------------------|----|----------|---------|------------|------------|
| Balance, beginning of year | \$ | 671,768 | \$ 672 | \$ 672,440 | \$ 468,261 |
| Share of income for the year | | 121,295 | 1,225 | 122,520 | 204,179 |
| Partner distribution | | (99,000) | (1,000) | (100,000) | – |
| Balance, end of year | \$ | 694,063 | \$ 897 | \$ 694,960 | \$ 672,440 |

7. Investment in Mashkiki Investments Limited Partnership:

The First Nation has a direct 49.995% interest Mashkiki Investments Limited Partnership and a further 0.005% interest by virtue of its 50% investment in Mashkiki Investment Inc., the general partner of MILP. MILP is primarily engaged in developing business opportunities. The First Nation's interest in MILP's results of operations for the year ended March 31, 2020 is included in the First Nation's consolidated statement of operations and accumulated surplus.

The following table presents condensed supplementary financial information of MILP for the year ended March 31, 2020:

| | | 2020 | 2019 |
|--|----|------|------|
| Financial position: | | | |
| Total assets | \$ | – | \$ 1 |
| Total liabilities | | – | – |
| Net assets | \$ | – | \$ 1 |
| Total equity attributable to equity holders of the Partnership | \$ | – | \$ 1 |
| Non-controlling interest | | – | – |
| Net assets | \$ | – | \$ 1 |
| Results of operations: | | | |
| Revenues | \$ | – | \$ – |
| Expenses | | – | – |
| Non-controlling interest | | – | – |
| Net income | \$ | – | \$ – |

MATACHEWAN FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2020

7. Investment in Mashkiki Investments Limited Partnership:

The investments at March 31, 2019 consists of the following:

| | MILP | MII | 2020 | 2019 |
|------------------------------|------|------|------|--------------|
| Balance, beginning of year | \$ 1 | \$ 1 | \$ 2 | \$ 2,047,286 |
| Share of income for the year | – | – | – | – |
| Partner distribution | (1) | (1) | (2) | (2,047,284) |
| Balance, end of year | \$ – | \$ – | \$ – | \$ 2 |

On April 4, 2019, MII filed corporate articles of dissolution, thereby dissolving MILP.

8. Deferred revenue:

| | 2020 | 2019 |
|-------------------------------------|---------------------|-------------------|
| Indigenous Services Canada | \$ 1,363,461 | \$ 823,383 |
| Goldcorp Inc. | 91,037 | 30,570 |
| Wabun Tribal Council | 3,098,224 | – |
| Indigenous Services Canada - Health | 27,316 | – |
| Other | 42,072 | – |
| | \$ 4,622,110 | \$ 853,953 |

9. Long-term debt:

| | 2020 | 2019 |
|---|-------------|-------------------|
| Indigenous Services Canada: | | |
| Interest-free promissory note, due March 2021 | \$ – | \$ 154,424 |
| Interest-free promissory note, due March 2021 | – | 121,643 |
| Interest-free promissory note, due March 2021 | – | 107,782 |
| Interest-free promissory note, due March 2021 | – | 83,448 |
| Interest-free promissory note, due March 2022 | – | 30,294 |
| Interest-free promissory note, due March 2023 | – | 96,195 |
| Interest-free promissory note, due March 2024 | – | 22,350 |
| | \$ – | \$ 616,136 |

The promissory notes were fully repaid in September 2019 on settlement of the Treaty Land Entitlement claim.

MATCHEWAN FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2020

10. Tangible capital assets:

| Cost | Balance at March 31, 2019 | Additions | Disposals | Transfers | Balance at March 31, 2020 |
|--------------------------------|---------------------------------|---------------|-----------|-----------|---------------------------------|
| Land | \$ 1 | - | - | - | 1 |
| Buildings | 2,157,425 | - | - | - | 2,157,425 |
| Furniture, computers, fixtures | 267,656 | 5,809 | - | - | 273,465 |
| Vehicles and equipment | 1,708,682 | 89,774 | - | - | 1,798,456 |
| Road infrastructure | 1,050,455 | - | - | - | 1,050,455 |
| Water systems | 4,106,879 | - | - | - | 4,106,879 |
| Housing | 820,250 | - | - | - | 820,250 |
| Total | \$ 10,111,348 | 95,583 | - | - | 10,206,931 |

| Accumulated Amortization | Balance at March 31, 2019 | Disposals | Amortization | Balance at March 31, 2020 |
|--------------------------------|---------------------------------|-----------|----------------|---------------------------------|
| Buildings | \$ 585,531 | - | 49,209 | 634,740 |
| Furniture, computers, fixtures | 241,072 | - | 9,685 | 250,757 |
| Vehicles and equipment | 977,694 | - | 115,487 | 1,093,181 |
| Road infrastructure | 425,645 | - | 12,878 | 438,523 |
| Water systems | 1,400,401 | - | 96,817 | 1,497,218 |
| Housing | 358,386 | - | 30,347 | 388,733 |
| Total | \$ 3,988,729 | - | 314,423 | 4,303,152 |

| | Net book value, March 2019 | Net book value, March 31, 2020 |
|--------------------------------|----------------------------------|--------------------------------------|
| Land | \$ 1 | 1 |
| Buildings | 1,571,894 | 1,522,685 |
| Furniture, computers, fixtures | 26,584 | 22,708 |
| Vehicles and equipment | 730,988 | 705,275 |
| Road infrastructure | 624,810 | 611,932 |
| Water systems | 2,706,478 | 2,609,661 |
| Housing | 461,864 | 431,517 |
| Total | \$ 6,122,619 | 5,903,779 |

MATCHEWAN FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2020

10. Tangible capital assets (continued):

| Cost | Balance at March 31, 2018 | Additions | Disposals | Transfers | Balance at March 31, 2019 |
|--------------------------------|---------------------------------|----------------|-----------------|-----------|---------------------------------|
| Land | \$ 1 | - | - | - | 1 |
| Buildings | 2,136,603 | 20,822 | - | - | 2,157,425 |
| Furniture, computers, fixtures | 267,656 | - | - | - | 267,656 |
| Vehicles and equipment | 1,616,642 | 105,781 | (55,000) | 41,259 | 1,708,682 |
| Road infrastructure | 1,050,455 | - | - | - | 1,050,455 |
| Water systems | 4,106,879 | - | - | - | 4,106,879 |
| Housing | 820,250 | - | - | - | 820,250 |
| Assets under construction | 41,259 | - | - | (41,259) | - |
| Total | \$ 10,039,745 | 126,603 | (55,000) | | 10,111,348 |

| Accumulated Amortization | Balance at March 31, 2018 | Disposals | Amortization | Balance at March 31, 2019 |
|--------------------------------|---------------------------------|-----------------|----------------|---------------------------------|
| Buildings | \$ 536,530 | - | 49,001 | 585,531 |
| Furniture, computers, fixtures | 229,521 | - | 11,551 | 241,072 |
| Vehicles and equipment | 879,392 | (20,005) | 118,307 | 977,694 |
| Road infrastructure | 412,767 | - | 12,878 | 425,645 |
| Water systems | 1,303,584 | - | 96,817 | 1,400,401 |
| Housing | 328,039 | - | 30,347 | 358,386 |
| Assets under construction | - | - | - | - |
| Total | \$ 3,689,833 | (20,005) | 318,901 | 3,988,729 |

| | Net book value, March 2018 | Net book value, March 31, 2019 |
|--------------------------------|----------------------------------|--------------------------------------|
| Land | \$ 1 | 1 |
| Buildings | 1,600,073 | 1,571,894 |
| Furniture, computers, fixtures | 38,135 | 26,584 |
| Vehicles and equipment | 737,250 | 730,988 |
| Road infrastructure | 637,688 | 624,810 |
| Water systems | 2,803,295 | 2,706,478 |
| Housing | 492,211 | 461,864 |
| Assets under construction | 41,259 | - |
| Total | \$ 6,349,912 | 6,122,619 |

MATACHEWAN FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2020

11. Contingent liabilities:

- (a) The First Nation is contingently liable for loan guarantees to a chartered bank in favour of individual Band members, totaling \$182,418 (2019 - \$191,746).
- (b) The First Nation is involved in certain legal matters and litigation, the outcome of which is not presently determinable. The loss, if any, from these contingencies will be accounted for in the periods in which the matters are resolved.
- (c) The First Nation has entered into accountable contribution arrangements with several government funding agencies. All such programs are subject to audit by the various governments, with audit adjustments repayable to the government.

12. Effects of COVID-19:

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social impact. At the time of approval of these financial statements, the First Nation has experienced the following indicators of the financial implications and undertaken the following activities in relation to the COVID-19 pandemic:

- The receipt of permission for certain funding from Indigenous Services Canada related to health and tuition that normally is repayable to the funder on an annual basis to be deferred to 2021. This resulted in an increase to deferred revenue in 2020 of \$27,316 for health funding and \$58,998 for tuition funding.
- The receipt of additional funding from Wabun Tribal Council (\$10,000) to purchase non-perishable goods for high-risk members on-reserve due to the COVID-19 pandemic.
- The implementation of working from home requirements for certain employees.

At this time, these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.

MATACHEWAN FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2020

13. Accumulated surplus:

Accumulated surplus consists of individual fund surplus and reserves as follows:

| | 2020 | 2019 |
|---|----------------------|----------------------|
| Invested in tangible capital assets | \$ 5,903,779 | \$ 6,122,619 |
| Consolidated revenue trust | 313,245 | 307,215 |
| Ontario First Nations Limited Partnership | 6,031,568 | 5,238,890 |
| Investment in government business enterprises | 10,168,614 | 9,308,470 |
| Operations | 8,301,963 | 7,608,175 |
| Matachewan First Nation Trust | 3,546,410 | 3,500,000 |
| Reserves | 9,461,080 | 5,044,783 |
| | \$ 43,726,659 | \$ 37,130,152 |
| Reserves: | | |
| Band Support | \$ 2,192,878 | \$ 307,725 |
| Community Operations | 143,584 | 172,854 |
| Economic Development – Core | 20,483 | 20,483 |
| Economic Development – Other Programs | 5,952,235 | 3,463,038 |
| Health | 575,577 | 504,360 |
| Education | 184,752 | 184,752 |
| Transportation | 117,730 | 117,730 |
| Community Property | 117,330 | 117,330 |
| Social Services | 7,947 | 7,947 |
| Youth and Special Services | 30,164 | 30,164 |
| Rental | 62,704 | 62,704 |
| Business Operations | 55,696 | 55,696 |
| | \$ 9,461,080 | \$ 5,044,783 |

MATACHEWAN FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2020

14. Indigenous Services Canada Funding ("ISC") revenue:

The revenue from ISC is comprised of the following:

| | |
|--|--------------|
| Funding per confirmation | \$ 2,206,769 |
| Add: opening deferred revenue | 823,383 |
| Less: set contribution funding repayable | – |
| Less: ending deferred revenue | (1,390,777) |
| Revenue per financial statements | \$ 1,639,375 |

| | |
|---|--------------|
| Indigenous Services Canada | \$ 1,352,949 |
| Indigenous Services Canada – Health | 286,426 |
| Revenue per consolidated financial statements | \$ 1,639,375 |

15. Funds held in trust on behalf of members:

The First Nation holds in trust, at a chartered bank, guaranteed investment certificates ("GICs") totaling \$3,319,411 (2019 - \$1,260,000). The funds are held on behalf of individual Band members that had not reached the age of 18 at the date of declaration of one-time payouts of \$10,000 to each eligible member or at the date of declaration of one-time payouts of \$16,470 to each eligible member. The GICs are to be cashed and disbursed upon the member reaching the age of majority, maturity from 2020 to 2037.

16. Comparative information:

Certain 2019 comparative information have been reclassified where necessary to conform with the presentation adopted in 2020.

MATACHEWAN FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2020

17. Segmented information:

Matachewan First Nation is a diversified governmental institution that provides a wide range of services to its Members, including band support, health services, education, social assistance, capital projects and business operations in addition to also managing specific funds from others. For management reporting purposes the First Nation's operations and activities are organized and reported by fund. Funds 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 functional areas and their activities are reported in these funds. Certain functional areas that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

Band Support

The band support 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 consolidated financial activities. In addition, this department includes the governance activities of chief and council and management and assistance for the related departments within the First Nation.

Community Operations

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

Economic Development

The economic development functional area develops employment and training opportunities, along with identification of economic development initiatives for the First Nation and its members.

Health

The health services functional area provides a diverse bundle of services directed toward the well-being of the Members including such activities as patient transportation, early childhood development and various other health related activities.

Education

The education functional area administers tuition agreements with various school boards, manages the post-secondary program for its members and provides local transportation for the students.

Community Property

The community property department provides services for the longevity of the First Nation by the acquisition or construction of equipment, roads and housing. Revenue and expenses included in the community property department are generally of long-term in nature, capitalized in the accounts of the First Nation and amortized over their useful life.

Business Operations

Various business activities of the First Nation like vehicle and equipment rental are managed through this department. Its primary focus is to generated profit on behalf of the First Nation.

MATACHEWAN FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2020

17. Segmented information (continued):

Other

Other captures the First Nation's activities related to its participation with the Ontario First Nations Limited Partnership and its investments in government business enterprises.

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 allocations 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.

MATACHEWAN FIRST NATION

Notes to Consolidated Financial Statements

Note 17 - Segmented Information (continued)

Year ended March 31, 2020

| | Band Support | Community Operations | Economic Development | Health | Education | Community Property | Business Operations | Other | 2020 Total |
|--|-----------------|-------------------------|-------------------------|---------|-----------|-----------------------|------------------------|-----------|---------------|
| Revenue | \$ 16,594,889 | 260,398 | 3,746,911 | 802,173 | 681,003 | 11,519 | 68,344 | 1,869,555 | 24,034,792 |
| Expenses: | | | | | | | | | |
| Salaries and benefits | 342,172 | 9,306 | 238,212 | 212,819 | 54,884 | - | 51,905 | - | 909,298 |
| Materials and supplies | 27,794 | 13,464 | 29,644 | 368,519 | 32,971 | 11,519 | 2,314 | 34,278 | 520,503 |
| Contractual services | 408,962 | 145,686 | 219,459 | 750 | 12,889 | - | 2,025 | 28,652 | 818,423 |
| Tuition | - | - | - | - | 297,415 | - | - | - | 297,415 |
| Travel | 17,675 | 1,778 | 52,656 | 64,938 | 20,969 | - | 350 | - | 158,366 |
| Other | 13,371,416 | 121,797 | 557,048 | 84,708 | 261,875 | - | 169,304 | 1,361 | 14,567,509 |
| Administration recovery | (52,069) | - | - | - | - | - | - | - | (52,069) |
| Amortization of tangible capital assets | 30,380 | 134,572 | 9,657 | 43,269 | 24,147 | 43,431 | 28,967 | - | 314,423 |
| Investment in tangible capital assets | - | - | (31,730) | (2,938) | (2,870) | - | (58,045) | - | (95,583) |
| | 14,146,330 | 426,603 | 1,074,946 | 772,065 | 702,280 | 54,950 | 196,820 | 64,291 | 17,438,285 |
| Excess (deficiency) of revenue over expenses | \$ 2,448,559 | (166,205) | 2,671,965 | 30,108 | (21,277) | (43,431) | (128,476) | 1,805,264 | 6,596,507 |

MATACHEWAN FIRST NATION

Notes to Consolidated Financial Statements

Note 17 - Segmented Information (continued)

Year ended March 31, 2020

| | Band Support | Community Operations | Economic Development | Health | Education | Community Property | Business Operations | Other | 2019 Total |
|--|-----------------|-------------------------|-------------------------|----------|-----------|-----------------------|------------------------|-----------|---------------|
| Revenue | \$ 587,594 | 220,746 | 7,616,209 | 759,971 | 730,810 | 25,439 | 113,792 | 1,693,122 | 11,747,683 |
| Expenses: | | | | | | | | | |
| Salaries and benefits | 299,361 | 7,500 | 216,806 | 175,530 | 42,702 | - | 50,955 | - | 792,854 |
| Materials and supplies | 8,119 | 125,224 | 73,075 | 391,740 | 26,558 | 22,569 | 561 | - | 647,846 |
| Contractual services | 219,139 | 62,196 | 45,003 | 21,550 | - | - | 108 | - | 347,996 |
| Tuition | - | - | - | - | 345,498 | - | - | - | 345,498 |
| Travel | 42,309 | 50 | 78,764 | 24,903 | 27,796 | - | 890 | - | 174,712 |
| Other | 93,128 | 151,840 | 7,665,475 | 61,623 | 288,256 | 2,870 | 97,921 | - | 8,361,113 |
| Administration recovery | (45,067) | - | - | - | - | - | - | - | (45,067) |
| Amortization of tangible capital assets | 33,597 | 133,080 | 12,683 | 40,231 | 26,344 | 45,107 | 27,859 | - | 318,901 |
| Investment in tangible capital assets | - | (41,825) | (3,500) | (81,278) | - | - | - | - | (126,603) |
| | 650,586 | 438,065 | 8,088,306 | 634,299 | 757,154 | 70,546 | 178,294 | - | 10,817,250 |
| Excess (deficiency) of revenue over expenses | \$ (62,992) | (217,319) | (472,097) | 125,672 | (26,344) | (45,107) | (64,502) | 1,693,122 | 930,433 |