

**Temagami First Nation
Consolidated Financial Statements
For the year ended March 31, 2020**

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Consolidated Financial Statements
For the year ended March 31, 2020**

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Temagami First Nation Management's Responsibility for the Consolidated Financial Statements

March 31, 2020

The accompanying consolidated financial statements of Temagami First Nation are the responsibility of management and have been approved by the Chief and the Executive Director on behalf of Council.

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada and as such include amounts that are the best estimates and judgments of management.

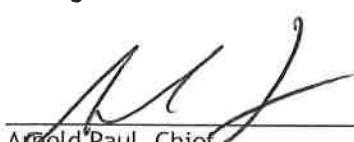
Management is responsible for the integrity and objectivity of these consolidated financial statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is provided.

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

The Audit Committee meets at least twice annually to prepare for and review the annual financial statements and to monitor the investments of Temagami First Nation. The committee contributes to ensuring strong accountability (gway a ko chi gewin) and improving the quality of financial information available to Temagami First Nation members.

The Council meets 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, and to review the consolidated financial statements and the external auditor's report.

The external auditors, BDO Canada LLP, conduct an independent examination, in accordance with Canadian generally accepted auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of Temagami First Nation and meet when required.


Arnold Paul, Chief


Virginia Paul, Executive Director

August 7, 2020

Independent Auditor's Report

To the Chief and Council of Temagami First Nation

Opinion

We have audited the consolidated financial statements of Temagami First Nation, which comprise the consolidated statement of financial position as at March 31, 2020, and the consolidated statements of operations, consolidated statement of changes in net financial assets and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Temagami First Nation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matters

Temagami First Nation has also prepared another set of financial statements for the year ended March 31, 2020 in accordance with Canadian public sector accounting standards which includes unaudited schedules that are not included in these consolidated financial statements. Our audit report on the other set of financial statements was issued to the members of Temagami First Nation and was dated August 7, 2020.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, management is responsible for assessing

Temagami 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 Temagami First Nation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Temagami First Nation's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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 Temagami 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 Temagami First Nation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Temagami First Nation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Chartered Professional Accountants, Licensed Public Accountants

North Bay, Ontario
August 7, 2020

Temagami First Nation
Consolidated Statement of Financial Position

<u>March 31, 2020</u>	<u>2020</u>	<u>2019</u>
Financial Assets		
Cash and cash equivalents (Note 10)	\$ 1,155,879	\$ 1,665,235
Investments (Note 2)	3,009,458	3,006,299
Funds held in trust by ISC (Note 4)	2,353	2,353
Accounts receivable (Note 3)	<u>2,630,135</u>	<u>3,763,912</u>
	<u>6,797,825</u>	<u>8,437,799</u>
Liabilities		
Accounts payable and accrued liabilities	2,043,586	1,965,962
Deferred revenue (Note 9)	1,754,267	2,247,396
Long-term debt (Note 10)	<u>7,708,176</u>	<u>2,355,735</u>
	<u>11,506,029</u>	<u>6,569,093</u>
Net financial assets	<u>(4,708,204)</u>	<u>1,868,706</u>
Non-Financial Assets		
Tangible capital assets (Note 8a)	24,047,131	14,542,045
Prepaid expenses	<u>144,954</u>	<u>112,417</u>
	<u>24,192,085</u>	<u>14,654,462</u>
Accumulated surplus (Note 5)	<u>\$ 19,483,881</u>	<u>\$ 16,523,168</u>

Commitments (Note 8b), Contingent assets (Note 12), Contingent liabilities (Note 14) and Subsequent Events (Note 17)

Approved on behalf of the Chief & Council

Temagami First Nation
Consolidated Statement of Operations

<u>For the year ended March 31, 2020</u>	2020 Budget (Note 16)	2020 Actual	2019 Actual
Revenues			
ISC (Note 13)	\$ 4,570,321	\$ 5,640,200	\$ 3,627,595
Health Canada (Note 13)	1,608,083	1,783,316	1,481,895
Government of Canada	371,493	862,643	1,136,557
CMHC subsidy	-	155,332	122,367
Province of Ontario	1,866,648	2,592,809	3,036,171
Ontario First Nation Limited Partnership	833,414	1,028,399	1,181,629
Band Generated and other (Note 7)	<u>2,381,726</u>	<u>2,929,660</u>	<u>2,757,299</u>
	<u>11,631,685</u>	<u>14,992,359</u>	<u>13,343,513</u>
Expenses (Note 15)			
Administration	886,912	919,685	868,330
Operations and maintenance programs	1,341,342	1,579,801	1,330,388
Housing programs	480,473	495,959	375,293
Education programs	2,046,877	1,702,786	1,739,609
Health and social programs	3,596,063	3,847,379	3,644,735
Community development programs	2,978,742	3,045,908	2,429,213
Ontario First Nation Limited Partnership	<u>419,000</u>	<u>440,128</u>	<u>366,801</u>
	<u>11,749,409</u>	<u>12,031,646</u>	<u>10,754,369</u>
Annual surplus (deficit) for the year	(117,724)	2,960,713	2,589,144
Accumulated surplus, beginning of year	16,523,168	16,523,168	13,934,024
Accumulated surplus, end of year (Note 5)	\$ 16,405,444	\$ 19,483,881	\$ 16,523,168

Temagami First Nation
Consolidated Statement of Changes in Net Financial Assets

<u>For the year ended March 31, 2020</u>	2020 Budget	2020 Actual	2019 Actual
	(Note 16)		
Annual surplus (deficit)	\$ (117,724)	\$ 2,960,713	\$ 2,589,144
Acquisition of tangible capital assets	(10,033,127)	(10,463,359)	(6,247,815)
Amortization of tangible capital assets	565,318	958,273	783,328
Loss on disposal of tangible capital assets	-	-	9,493
	<hr/>	<hr/>	<hr/>
	(9,585,533)	(6,544,373)	(2,865,850)
Acquisition of prepaid expenses	-	(144,954)	(112,417)
Use of prepaid expenses	<hr/>	<hr/>	<hr/>
	-	112,417	99,429
	<hr/>	<hr/>	<hr/>
	(32,537)	(12,988)	
Change in net financial assets	(9,585,533)	(6,576,910)	(2,878,838)
Net financial assets, beginning of year	<hr/>	<hr/>	<hr/>
	1,868,706	1,868,706	4,747,544
Net financial assets, end of year	<hr/>	<hr/>	<hr/>
	\$ (7,716,827)	\$ (4,708,204)	\$ 1,868,706

**Temagami First Nation
Consolidated Statement of Cash Flows**

<u>For the year ended March 31, 2020</u>	<u>2020</u>	<u>2019</u>
Cash provided by (used in):		
Operating activities		
Annual surplus (deficit)	\$ 2,960,713	\$ 2,589,144
Items not involving cash		
Amortization of tangible capital assets	958,273	783,328
Loss on disposal of tangible capital assets	-	9,493
	<u>3,918,986</u>	3,381,965
Changes in non-cash working capital balances		
Accounts receivable	1,133,777	(1,975,489)
Prepaid expenses	(32,537)	(12,988)
Accounts payable and accrued liabilities	77,624	1,053,674
Deferred revenue	(493,129)	1,893,345
	<u>4,604,721</u>	4,340,507
Capital activities		
Purchase of tangible capital assets	<u>(10,463,359)</u>	(6,247,815)
Investing activities		
(Increase) decrease in investments	<u>(3,159)</u>	2,130,801
Financing activities		
Advances of long-term debt	5,532,000	-
Repayments of long-term debt	(179,559)	(88,328)
	<u>5,352,441</u>	(88,328)
Increase in cash and cash equivalents during the year	(509,356)	135,165
Cash and cash equivalents, beginning of year	1,665,235	1,530,070
Cash and cash equivalents, end of year	\$ 1,155,879	\$ 1,665,235

Temagami First Nation Notes to Consolidated Financial Statements

March 31, 2020

1. Significant Accounting Policies

Accounting Principles The consolidated financial statements of the Temagami First Nation ("TFN") are the representation of management prepared in accordance with Canadian public sector accounting standards as prescribed by the Canadian Public Sector Accounting Board.

Method of Accounting Sources of financing and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

Basis of Consolidation TFN reporting entity consolidates the assets, liabilities and results of operations for TFN government and all related entities which are accountable to TFN and are either owned or controlled by TFN and the Daki Menan Lands and Resources Corporation which is controlled by TFN.

Cash and Cash Equivalents Cash and cash equivalents includes cash on hand, current bank accounts and short-term deposits, if any, with terms to maturity of less than 90 days.

Investments Investments are recorded at market value.

Funds Held in Trust by ISC Band funds held in trust by Indigenous Services Canada ("ISC") 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.

Temagami First Nation Notes to Consolidated Financial Statements

March 31, 2020

1. Significant Accounting Policies (continued)

Tangible Capital Assets Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs attributable to acquisition or construction of the tangible capital asset including but not limited to transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue, when fair value can be reasonably estimated. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing in the year the asset is available for productive use as follows:

Buildings	25 to 50 years
Construction camp (included in buildings)	5 years
Vehicles	3 to 20 years
Machinery and equipment	3 to 10 years
Land improvements	7 to 40 years
Infrastructure	15 to 75 years
IT equipment	2 to 4 years

Construction in progress is not amortized until construction is substantially complete and the assets are ready for use.

Reserves and Reserve Funds

Certain amounts as approved by TFN's Chief and Council, are set aside for future purposes. Transfers to and from reserves and reserve funds are an adjustment to the respective reserve when approved.

Revenue Recognition

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

All other revenue is recorded as the applicable service is provided and collection is reasonably assured.

Temagami First Nation
Notes to Consolidated Financial Statements

March 31, 2020

1. Significant Accounting Policies (continued)

**Management
Estimates**

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates.

Accounts receivable and accounts payable are reported based on amounts expected to be recovered or incurred and reflect an appropriate allowance for unrecoverable amounts based on management's estimates. Amounts recorded for amortization of tangible capital assets are based on estimates of useful service life.

Temagami First Nation
Notes to Consolidated Financial Statements

March 31, 2020

2. Investments

Short-term and portfolio investments are recorded at market value and consist of the following:

	2020	2019
GIC's ⁽ⁱ⁾	\$ 1,032,341	\$ 1,010,681
Mutual funds, T-Bill funds, bonds and equities	<u>1,977,117</u>	<u>1,995,618</u>
	\$ 3,009,458	\$ 3,006,299

(i) GIC's balance consists of one guaranteed investment certificate maturing September 2020 bearing interest rate at 1.40%.

3. Accounts Receivable

	2020	2019
Indigenous Services Canada (ISC)	\$ 671,180	\$ 915,579
Health Canada	22,001	62,968
Government of Canada	210,353	909,073
Province of Ontario	285,330	979,957
Other ⁽ⁱ⁾ (net of allowance for doubtful accounts of \$85,661 (2019 - \$85,661))	<u>1,441,271</u>	<u>896,335</u>
	\$ 2,630,135	\$ 3,763,912

(i) Included in Other receivables are two loans receivable in the amount of \$40,377 (2019 - \$46,435), receivable over 10 to 12 years and each bearing interest at a rate of 5% per annum.

4. Funds Held in Trust by ISC

2020	2019
\$ 2,353	\$ 2,353

These funds are held by Indigenous and Northern Affairs Canada in trust for TFN. These funds can only be used with approval from the TFN community.

Temagami First Nation
Notes to Consolidated Financial Statements

March 31, 2020

5. Accumulated Surplus

	2020	2019
Investment in tangible capital assets (Note 8)	\$ 24,047,131	\$ 14,542,045
Less: Debt (Note 10)	<u>6,707,594</u>	<u>1,355,153</u>
Net band infrastructure	<u>17,339,537</u>	<u>13,186,892</u>
Reserve and earmarked funds		
Doreen Potts Health Centre MAR ⁱ⁾	-	1,560
Water treatment plant ⁱⁱ⁾	71,194	71,194
Canada Mortgage and Housing Corporation ⁱⁱ⁾	274,838	269,397
Future generations fund ⁱⁱⁱ⁾	1,977,117	1,995,618
Housing ⁱⁱⁱ⁾	23,825	22,469
Elder's complex ⁱⁱⁱ⁾	-	131,851
DMLRC ⁱⁱⁱ⁾	88,640	-
Manitou Proceeds ⁱⁱⁱ⁾	<u>74,392</u>	<u>74,392</u>
	<u>2,510,006</u>	<u>2,566,481</u>
Contingent liability (Note 10 (i))	(1,000,582)	(1,000,582)
Unallocated surplus	<u>634,920</u>	<u>1,770,377</u>
	<u>\$ 19,483,881</u>	<u>\$ 16,523,168</u>

- i) This represent a moveable asset reserve for acquisition of tangible capital assets.
- ii) These are reserve funds established for future capital repairs and construction.
- iii) These are earmarked funds for revenue generation and planned capital projects.

Temagami First Nation Notes to Consolidated Financial Statements

March 31, 2020

6. Pension and Benefit Plans

TFN has a defined contribution pension plan for permanent employees. Under the terms of this plan, employee contributions of up to 5.5% of salary are matched by TFN. All investment decisions are the responsibility of the individual employee. During the year, TFN made contributions to this plan in the amount of \$222,548 (2019 - \$224,416).

In addition, TFN has a benefit plan for active employees covering supplemental health and dental costs. The full cost of this plan is covered by TFN.

7. Resource Revenue Sharing

The Temagami First Nation (TFN) and the Teme Augama Anishnabai (TAA) receive revenues from mining activities on N'Daki Menan. A resource agreement previously concluded provides participation opportunities and certain financial benefits for the TFN and the TAA. During the year, amounts earned under this agreement and investment income earned on the account amounted to \$448,042 (2019 - \$435,619). Expenses related to monitoring the agreement and approved allocations amounted to \$184,209 (2019 - \$190,175). On June 25, 2017 resolutions passed by TFN and TAA in assembly approved an allocation of \$2.570 million for capital projects and \$100,000 for Joint Council operations. Of the \$2.570 million, \$1.920 million has been paid and included in Band Generated and other revenue in 2018. At March 31, 2020 assets including cash, short term investments and amounts receivable amount to \$1.879 million (2019 - \$1.616 million) which are not included in these financial statements pending completion of a process to determine how these proceeds will be further allocated and used.

Temagami First Nation
Notes to Financial Statements

March 31, 2020

8. Tangible Capital Assets

a. Tangible capital assets

	2020								
	Buildings - CMHC	Vehicles	Machinery and equipment	Land Improvements	Infrastructure	Buildings	IT Equipment	Construction in Progress	Total
Cost, beginning of year	\$ 2,255,003	\$ 1,857,522	\$ 1,272,304	\$ 161,052	\$ 5,455,327	\$ 5,101,921	\$ 530,067	\$ 6,662,739	\$ 23,295,935
Additions	20,891	101,976	472,033	21,540	457,926	5,567,751	61,519	3,759,723	10,463,359
Disposals	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	6,371,375	-	(6,371,375)	-
Cost, end of year	<u>\$ 2,275,894</u>	<u>\$ 1,959,498</u>	<u>\$ 1,744,337</u>	<u>\$ 182,592</u>	<u>\$ 5,913,253</u>	<u>\$ 17,041,047</u>	<u>\$ 591,586</u>	<u>\$ 4,051,087</u>	<u>\$ 33,759,294</u>
Accumulated amortization, beginning of year	\$ 771,468	\$ 1,334,614	\$ 790,258	\$ 76,818	\$ 3,082,325	\$ 2,270,636	\$ 427,771	-	\$ 8,753,890
Amortization	89,327	150,943	135,579	6,356	209,502	317,286	49,280	-	958,273
Disposals	-	-	-	-	-	-	-	-	-
Accumulated amortization, end of year	<u>\$ 860,795</u>	<u>\$ 1,485,557</u>	<u>\$ 925,837</u>	<u>\$ 83,174</u>	<u>\$ 3,291,827</u>	<u>\$ 2,587,922</u>	<u>\$ 477,051</u>	-	<u>\$ 9,712,163</u>
Net carrying amount, end of year	<u>\$ 1,415,099</u>	<u>\$ 473,941</u>	<u>\$ 818,500</u>	<u>\$ 99,418</u>	<u>\$ 2,621,426</u>	<u>\$ 14,453,125</u>	<u>\$ 114,535</u>	<u>\$ 4,051,087</u>	<u>\$ 24,047,131</u>

Temagami First Nation
Notes to Financial Statements

March 31, 2020

8. Tangible Capital Assets (continued)

a. Tangible capital assets (continued)

	2019									
	Buildings - CMHC	Vehicles	Machinery and equipment	Land Improvements	Infrastructure	Buildings	Equipment	IT	Construction in Progress	Total
Cost, beginning of year	\$ 2,233,783	\$ 1,544,727	\$ 1,081,551	\$ 161,052	\$ 5,430,508	\$ 4,603,438	\$ 473,965	\$ 1,556,373	\$ 17,085,397	
Additions	21,220	312,795	190,753	-	24,819	523,529	68,333	5,106,366	6,247,815	
Disposals	-	-	-	-	-	(25,046)	(12,231)	-	(37,277)	
Cost, end of year	\$ 2,255,003	\$ 1,857,522	\$ 1,272,304	\$ 161,052	\$ 5,455,327	\$ 5,101,921	\$ 530,067	\$ 6,662,739	\$ 23,295,935	
Accumulated amortization, beginning of year	\$ 683,141	\$ 1,177,161	\$ 675,955	\$ 65,397	\$ 2,913,946	\$ 2,105,286	\$ 377,460	\$ -	\$ 7,998,346	
Amortization	88,327	157,453	114,303	11,421	168,379	190,396	53,049	-	783,328	
Disposals	-	-	-	-	-	(25,046)	(2,738)	-	(27,784)	
Accumulated amortization, end of year	\$ 771,468	\$ 1,334,614	\$ 790,258	\$ 76,818	\$ 3,082,325	\$ 2,270,636	\$ 427,771	\$ -	\$ 8,753,890	
Net carrying amount, end of year	\$ 1,483,535	\$ 522,908	\$ 482,046	\$ 84,234	\$ 2,373,002	\$ 2,831,285	\$ 102,296	\$ 6,662,739	\$ 14,542,045	

Temagami First Nation
Notes to Consolidated Financial Statements

March 31, 2020

8. Tangible Capital Assets (continued)

b. Construction In Progress and Commitments

	Multi-use Facility (i)	Elders' Complex (ii)	Warehouse(iii)	TMFC Addition (iv)	OPP Station (v)	Total
Project Budget	\$11,200,000	\$ 6,500,000	\$ 200,000	\$ 137,068	\$ 893,000	\$18,930,068
Construction in progress, beginning of year	\$ 6,279,439	\$ 291,363	\$ -	\$ 91,937	\$ -	\$ 6,662,739
Additions	5,233,977	3,090,412	95,786	-	573,526	8,993,701
Transfers	(11,513,416)	-	-	(91,937)	-	(11,605,353)
Construction in progress, end of year	\$ -	\$ 3,381,775	\$ 95,786	\$ -	\$ 573,526	\$ 4,051,087

- i) The Multi-Use facility became operational in October 2019 and was transferred to assets.
- ii) Construction of the Elder's Complex site is well underway and it is expected to be completed and ready for occupancy by October 2020.
- iii) Construction of the warehouse is underway and it is expected to be completed in September 2020.
- iv) The TMFC addition became operational in August 2019 and was transferred to asset.
- v) The renovations of the OPP Station is underway and is expected to completed in September 2020.

Temagami First Nation
Notes to Consolidated Financial Statements

March 31, 2020

8. Tangible Capital Assets (continued)

c. Funding for Capital Projects

Non-recurring funding for major capital projects has been received and included in revenues, as follows:

	2020	2019
- Government of Canada	\$ 1,557,652	\$ 872,560
- Province of Ontario	430,039	1,235,253
- Other (IESO and TECK)	<u>225,000</u>	-
	<hr/> <u>\$ 2,212,691</u>	<hr/> <u>\$ 2,107,813</u>

Temagami First Nation
Notes to Consolidated Financial Statements

March 31, 2020

9. Deferred Revenue

Deferred revenue by program is detailed as follows:

	2020	2019
Administration		
- P&ID FAL Development (ISC)	\$ -	\$ 15,000
Housing		
- Housing Grant (ISC)	38,088	-
Operations and Maintenance		
- Contaminated Sites (ISC)	104,259	81,923
- Solid waste Management (ISC)	1,800	-
Education Programs		
- New Paths (ISC)	-	2,028
- Special education (ISC)	152,235	151,900
- FNSSP (FN Student Support Program)	-	42,397
- New Paths - Edu Mgmt & GovCap (ISC)	-	2,214
- New Paths - Parent & Comm Eng (ISC)	-	7,905
- Education Partnership - REA (ISC)	42,698	-
- Education Secondary (ISC)	178,254	-
- Bear Island Education Authority (ISC)	620,903	-
Health and Social		
- HC - Early Childhood Development	-	4,838
- HC - Aboriginal Headstart	-	62,879
- Early Learning/Childcare (IFN)	108,917	-
- Trillium - Youth Opportunities	-	9,232
- Social Assistance - TSF COVID	11,723	-
- Daycare Construction in progress	-	45,113
- Family Violence -ISC	-	2,101
- HC - Jordan's Principle - Secondary Students	8,984	23,025
- HC - Jordan's Principle	-	197,921
- HC - Suicide Prevention	-	11,421
- HC - Diabetes Program	-	7,725
- HC - Jordan's Principal Navigator	21,210	-
- FN Child and Family Services (ISC)	153,102	259,845
Community Development		
- Elders Complex (ISC)	-	842,480
- Negotiations (ISC)	61,518	81,978
- Trillium - Archives	19,310	-
- FL LANG comm-confcultedCent	-	19,735
Lands and Resources		
- Land Use Plan (ISC)	-	98,800
- Hydro Environment Review	-	14,906
- Climate Monitor (ISC)	29,983	118,215
- Land Code Admin (ISC)	201,283	143,815
	<hr/> \$ 1,754,267	<hr/> \$ 2,247,396

Temagami First Nation
Notes to Consolidated Financial Statements

March 31, 2020

10. Long-Term Debt

	2020	2019
Canada Mortgage and Housing Corporation mortgage receivable, repayable in monthly instalments of \$2,718 including interest at 0.94%. The loan matures August 2035. (ii)	\$ 468,388	\$ 496,485
Canada Mortgage and Housing Corporation mortgage, repayable in monthly instalments of \$2,038 including interest at 1.3%. The loan matures June 2027. (ii)	169,299	191,421
Canada Mortgage and Housing Corporation mortgage, repayable in monthly instalments of \$1,592 including interest at 1.3%. The loan matures June 2032. (ii)	216,475	232,669
Canada Mortgage and Housing Corporation mortgage, repayable in monthly instalments of \$1,255 including interest at 1.3%. The loan matures May 2032. (ii)	169,587	182,368
Canada Mortgage and Housing Corporation mortgage, repayable in monthly instalments of \$1,213 including interest at 1.77%. The loan matures October 2039. (ii)	<u>242,079</u>	<u>252,210</u>
Total housing mortgages (Note 5)	1,265,828	1,355,153
Loan repayable in monthly instalments of \$30,586 including interest at 2.72%, secured by General Security Agreement. The loan matures June 1, 2028. (iii)	<u>5,441,766</u>	-
Total debt (Note 5)	6,707,594	1,355,153
Loan payable, contingent on the settlement of the land claim. (i)	<u>1,000,582</u>	<u>1,000,582</u>
\$ 7,708,176	\$ 2,355,735	

Temagami First Nation Notes to Consolidated Financial Statements

March 31, 2020

10. Long-Term Debt (continued)

Assuming refinancing of mortgages under similar terms, principal payments due over the next five years and thereafter, are as follows:

2021	\$ 300,000
2022	307,579
2023	308,899
2024	310,240
2025	311,879
Thereafter	<u>6,169,579</u>
	<u>\$ 7,708,176</u>

In 2020, interest expense of \$89,309 (2019 - \$17,452) has been reflected in the Consolidated Statement of Operations.

- (i) The loan payable of \$1,000,582 owing to the Research Branch of Indigenous and Northern Affairs Canada was made for the research, development and negotiation of the land claim. An amount of \$50,000 was loaned to the Band in 1976, a further \$75,584 loaned in the 1980-81 fiscal year, \$190,000 in the 1981-82 fiscal year, \$423,000 in the 1982-83 fiscal year, \$177,000 in the 1983-84 fiscal year, \$27,523 in the 1984-85 fiscal year to cover deficiencies from 1981 to 1984, and \$57,475 was loaned in the 1985-86 fiscal year. The loan repayment is contingent on the settlement of the land claim, at which time it will be repayable. (See Note 12)
- (ii) The CMHC loan in the amount of \$169,587 represents a loan made by CMHC to TFN to construct two apartment duplexes as rental units. The other CMHC loans are made to TFN to enable Band members to purchase rent-to-own houses.
- (iii) Temagami First Nation is required to set aside cash in a debt reserve fund that is restricted towards paying down this debt. The restricted cash set aside at year end and included in cash and cash equivalents is \$280,075.

11. Intergovernmental Arrangements

TFN continues to be involved in historical funding arrangements with the Government of Canada, particularly ISC, that enable TFN to administer its operations and provide services to its members. Funding provided to TFN pursuant to these agreements constitutes a significant portion of TFN's revenues. The nature of these arrangements continues to evolve.

Temagami First Nation
Notes to Consolidated Financial Statements

March 31, 2020

12. Contingent Assets

TFN remains in ongoing land claim negotiations. It is expected that the parties will negotiate an amount of financial compensation to be paid by the Government of Ontario to TFN. At the date of the consolidated financial statement preparation the outcome of these negotiations and any financial compensation is unknown and cannot be reasonably estimated.

13. Funding Reconciliation

ISC revenue per funding confirmation	\$ 5,402,112
Amend #55 - April 2020	(47,610)
CHRT 19/20 (funding agreement 20/21)	61,617
Deferred revenue prior year	1,808,203
Deferred revenue current year	<u>(1,584,122)</u>
ISC revenue per the consolidated financial statements	<u>\$ 5,640,200</u>

Of the above \$5,402,112, \$2,755,970 relates to core funding and \$2,646,142 to non-core funding.

Health Canada Revenue per funding Confirmation	\$ 1,461,385
Deferred revenue prior year	307,810
Deferred revenue current year	(30,195)
Amounts repaid / repayable	-
Funding outside agreement	<u>44,316</u>
Health Canada revenue per the consolidated financial statements	<u>\$ 1,783,316</u>

Temagami First Nation Notes to Consolidated Financial Statements

March 31, 2020

14. Contingent Liabilities

Three lawsuits have been filed against the First Nation. It is the opinion of management and legal counsel, that the outcome of these lawsuits, now pending, is not determinable. TFN has filed a lawsuit against a consultant for the Multi-Use Facility and a counter-claim has been received. Since the final outcome of the above noted actions cannot be determined as likely and any loss cannot be reasonably estimated, no provision has been made in these financial statements.

15. Expenses by Object

	2020	2019
Salaries, wages and benefits	\$ 4,781,611	\$ 4,199,942
Materials, supplies and capital	1,287,537	911,427
Contracted services	3,061,223	2,711,520
Rents and financial	812,198	887,337
Travel, training and other	1,130,804	1,260,815
Amortization	<u>958,273</u>	<u>783,328</u>
	<u>\$ 12,031,646</u>	<u>\$ 10,754,369</u>

16. Budget

The Budget adopted by Council on December 16, 2019 was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Public Sector Accounting Standards now require a full accrual basis. The budget included transfers to and from reserves. As a result, the budget figures presented on the Consolidated Statements of Operations and Changes in Net Financial Assets represent the financial plan adopted by Council with adjustments as follows:

	2020
Budgeted income for the year	\$ -
Add:	
Transfers from reserves	<u>(117,724)</u>
Budget deficit per consolidated statement of operations	<u>\$ (117,724)</u>

Temagami First Nation
Notes to Consolidated Financial Statements

March 31, 2020

17. Subsequent Event

On March 11, 2020, the World Health Organization declared the outbreak of the coronavirus (COVID-19) a pandemic, resulting in economic uncertainties affecting the organization. Management is actively monitoring the affect on its financial condition, liquidity, operations and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Temagami First Nation is not able to fully estimate the effects of the COVID-19 outbreak on its results of operations, financial condition or liquidity at this time. The Temagami First Nation has instituted rigorous protocols for all activities on Bear Island.

Temagami First Nation Notes to Consolidated Financial Statements

March 31, 2020

18. Segmented Information

TFN is a diversified government institution that provides a wide range of services to its members, including education, infrastructure maintenance, medical and other health services, administration, capital, enterprises and other services.

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

Ontario First Nation Limited Partnership (OFNLP)

With revenues received through this partnership, Temagami First Nation provides its citizens that reside both on and off-reserve with an array of programs within the five areas of approved spending which include Education, Health, Economic, Cultural and Community Development.

Community Development

TFN provides a wide array of other services, including ferry and air boat services, fire protection, postal services, public library, youth employment projects and economic development. Also included are lands and resources and administration for TFN's land code. Community events such as the PowWow, special language, and cultural projects are also included.

Health and Social

The department provides a diverse bundle of services directed towards the well being of members including such activities as medical transportation, home support services, prenatal and early childhood care, nursing, health representation, traditional healing, family violence prevention and many other smaller programs designed to enhance the health of members.

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

Temagami First Nation Notes to Consolidated Financial Statements

March 31, 2020

18. Segmented Information (continued)

Administration

The administration department oversees the delivery of all governmental services. The department is responsible for ensuring that there are adequate policies and procedures in place to safeguard assets and to properly report financial activities. In addition, this department includes dog by-law enforcement and the governance activities of Chief and Council.

Operations and Maintenance

This department is responsible for public services such as the operation and maintenance of roads, the water and sanitation system and waste management. Maintenance of Band buildings and community infrastructure is also included in this segment.

Education

The education department provides services to elementary students through operation of the Laura McKenzie Learning Centre. It also provides support for secondary students, primarily by entering into service contracts with provincially funded area school boards. In addition, the department supports post-secondary students by providing funds for tuition fees, books and living allowances.

Housing

This department is responsible for all housing including rental units, CMHC rent-to-own housing and any Residential Repair Assistance Programs (RRAP)

Daki Menan Lands and Resources Corporation

This corporation is an incorporated non-for-profit company. Activities include a fuelwood business, office and property rentals and forestry operations.

For each reported segment, revenues and expenses include amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information, including transfers that have been apportioned based on a percentage of budgeted expenses.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements.

Temagami First Nation Segment Disclosure

For the year ended March 31, 2020

18. Segmented Information (continued)

	OFNLP	Community Development	Health and Social Administration	Operations & Maintenance	Education	Housing	Daki Menan Land and Resource Corporation	Total
Revenues								
Indigenous and Northern Affairs Canada	\$ -	\$ 2,071,323	\$ 498,554	\$ 540,478	\$ 810,383	\$ 1,528,008	\$ 191,454	\$ 5,640,200
Province of Ontario	-	1,037,665	1,482,494	-	72,650	-	-	2,592,809
Health Canada	-	-	1,783,316	-	-	-	-	1,783,316
CMHC subsidy	-	-	-	-	-	-	-	155,332
Government of Canada	-	826,749	-	29,894	6,000	-	-	862,643
OFNLP and other transfers	442,841	180,545	-	-	157,000	44,259	203,754	1,028,399
Band Generated and other	18,477	1,305,812	345,702	400,033	214,437	114,071	146,426	384,702
	461,318	5,422,094	4,110,066	970,405	1,260,470	1,686,338	696,966	384,702
								14,992,359
Expenses								
Salaries, wages and benefits	-	1,104,467	1,648,008	597,177	547,660	734,685	117,408	4,781,611
Materials, supplies and capital	274,418	203,101	167,185	69,999	400,398	88,887	79,043	4,506
Contracted services	14,938	1,364,404	1,248,764	76,993	89,114	129,869	104,701	3,061,223
Rents and financial expenses	104,365	60,072	187,781	24,906	42,848	293,408	66,702	32,116
Travel and training	46,407	200,392	433,446	101,813	53,943	385,374	833	1,232,480
Contributions from other programs	-	(66,676)	-	-	(35,000)	-	-	(101,676)
	440,128	2,865,760	3,685,184	870,888	1,098,963	1,632,223	368,687	111,540
								11,073,373
Annual surplus (deficit) before amortization	21,190	2,556,334	424,882	99,517	161,507	54,115	328,279	273,162
Amortization	-	57,545	162,195	48,797	480,838	70,563	127,272	11,063
Annual surplus (deficit)	\$ 21,190	\$ 2,498,789	\$ 262,687	\$ 50,720	\$ (319,331)	\$ (16,448)	\$ 201,007	\$ 262,099
								2,960,713
Tangible capital assets purchased	\$ -	\$ 9,429,210	\$ 356,174	\$ 110,677	\$ 286,950	\$ 44,796	\$ 233,463	\$ 10,461,270

Temagami First Nation Segment Disclosure

For the year ended March 31, 2019

18. Segmented Information (continued)	Community Development	Health and Social Administration	Operations & Maintenance	Education	Housing	Daki Menan Land and Resource Corporation	Total
OFNLP							
Revenues							
Indigenous and Northern Affairs Canada	\$ -	\$ 488,588	\$ 417,822	\$ 412,555	\$ 739,044	\$ 1,468,475	\$ 101,111
Province of Ontario	-	1,422,709	1,484,435	-	60,879	13,760	-
Health Canada	-	-	1,481,895	-	-	-	-
CMHC subsidy	-	-	-	-	-	122,367	-
Government of Canada	-	1,136,557	-	-	-	-	1,136,557
OFNLP and other transfers	(624,357)	1,675,358	-	-	6,531	99,097	-
Band Generated and other	182,526	1,210,108	429,865	394,589	171,802	136,576	140,207
	(441,831)	5,933,320	3,814,017	807,144	978,256	1,717,908	363,685
							171,014
							13,343,513
Expenses							
Salaries, wages and benefits	-	823,685	1,540,260	540,907	442,520	713,190	105,267
Materials, supplies and capital	268,355	116,524	69,446	60,482	245,523	86,006	56,409
Contracted services	19,266	1,043,231	1,290,250	68,795	87,324	92,477	23,140
Rents and financial expenses	34,352	51,377	188,015	22,107	140,845	360,150	62,472
Travel and training	44,828	195,387	412,900	87,147	67,310	440,726	5,632
	366,801	2,230,204	3,500,871	779,438	983,522	1,692,549	252,920
							164,736
							9,971,041
Annual surplus (deficit) before amortization							
	(808,632)	3,703,116	313,146	27,706	(5,266)	25,359	110,765
Amortization and writeoffs	-	23,164	143,864	88,892	346,866	47,060	122,373
Annual surplus (deficit)	\$ (808,632)	\$ 3,679,952	\$ 169,282	\$ (61,186)	\$ (352,132)	\$ (21,701)	\$ (11,608)
Tangible capital assets purchased	\$ -	\$ 5,772,915	\$ 237,780	\$ 6,454	\$ 170,248	\$ 25,359	\$ 21,220
							13,839
							6,247,815