

Consolidated Financial Statements of

MISSANABIE CREE FIRST NATION

And Independent Auditors' Report thereon

Year ended March 31, 2020

MISSANABIE CREE FIRST NATION

Consolidated Financial Statements

Year ended March 31, 2020

	Page
Management's Responsibility for Financial Reporting	
Independent Auditors' Report	
Consolidated Statement of Financial Position	1
Consolidated Statement of Operations	2
Consolidated Statement of Accumulated Surplus (Deficit)	3
Consolidated Statement of Changes in Net Financial Assets (Net Debt)	4
Consolidated Statement of Cash Flows	5
Notes to Consolidated Financial Statements	6 - 21



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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of the Missanabie Cree 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 public sector accounting standards. Financial statements are not precise since they include certain amounts based on estimates and judgements. 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. 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 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 periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, to satisfy themselves that each party is properly discharging their responsibilities, 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 members.

On Behalf of the First Nation:



Chief



KPMG LLP
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Canada
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INDEPENDENT AUDITORS' REPORT

To the Members of Missanabie Cree First Nation

Opinion

We have audited the consolidated financial statements of Missanabie Cree First Nation (herein after referred to as the "First Nation"), which comprise:

- the consolidated statement of financial position as at March 31, 2020
- the consolidated statement of operations for the year then ended
- the consolidated statement of statement of accumulated surplus (deficit)
- the consolidated statement of changes in net financial assets (net debt)
- 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 "consolidated financial statements")

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the First Nation as at March 31, 2020, and its results of operations and its 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 Consolidated 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 consolidated 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 and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditors' 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 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 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 risk 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, 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 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 auditors' report. However, future events or conditions may cause the First Nation's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Organization 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font. Below the signature is a long, horizontal, slightly wavy line.

Chartered Professional Accountants, Licensed Public Accountants

Sault Ste. Marie, Canada

April 24, 2021

MISSANABIE CREE FIRST NATION

Consolidated Statement of Financial Position

March 31, 2020, with comparative information for 2019

	2020	2019
Financial assets		
Cash and short-term investments	\$ 3,671,358	\$ 1,297,135
Accounts receivable	717,250	830,016
Land settlement process receivable (note 9)	150,000,000	-
Due from 1309912 Ontario Limited (note 2)	815,987	745,987
Investment in First Nation business enterprises (note 3)	1,499,954	1,440,172
	156,704,549	4,313,310
Financial liabilities		
Accounts payable and accrued liabilities	446,047	512,649
Deferred revenue (note 4)	1,150,135	636,539
Long-term debt (note 5)	53,729,828	8,372,228
	55,326,010	9,521,416
Net financial assets (net debt)	101,378,539	(5,208,106)
Non-financial assets		
Tangible capital assets (note 6)	3,007,927	3,134,643
Prepaid expenses	79,598	34,492
	3,087,525	3,169,135
Contingencies (note 7)		
Effects of COVID-19 (note 11)		
Accumulated surplus (deficit) (note 8)	\$ 104,466,064	\$ (2,038,971)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Council:


Chief

MISSANABIE CREE FIRST NATION

Consolidated Statement of Operations

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

	2020	2019
Revenue:		
Government grants:		
Indigenous Services Canada	\$ 976,260	\$ 1,081,793
Mushkegowuk Tribal Council	679,467	76,436
Government of Canada	115,910	-
Mocreebec Council	30,250	34,944
Health Canada	351,211	345,873
Nishnawbe Aski Nation	122,241	143,510
Province of Ontario	150,763	216,386
Ontario First Nation Limited Partnership	627,415	721,746
Share of earnings (loss) from investment in First Nation business enterprises	(687,877)	1,031,755
Other	810,238	926,509
Interest	6,496	87
	3,182,374	4,579,039
Expenses:		
Band government	340,386	331,883
Community services	1,413,463	1,289,949
Mushkegowuk programs	28,041	61,432
Education	354,464	412,684
Economic development	560,267	638,250
Other	104,254	294,370
Restricted fund	252,676	260,545
	3,053,551	3,289,113
Excess of revenue over expenses before the undernoted	128,823	1,289,926
Land Settlement Process (note 9)		
Government of Canada	150,000,000	-
Land transfer process expenses and member distributions	(43,623,788)	(419,886)
Excess of revenue over expenses	\$ 106,505,035	\$ 870,040

See accompanying notes to consolidated financial statements.

MISSANABIE CREE FIRST NATION

Consolidated Statement of Accumulated Surplus (Deficit)

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

	2020	2019
Accumulated deficit, beginning of year	\$ (2,038,971)	\$ (2,909,011)
Excess of revenue over expenses	106,505,035	870,040
Accumulated surplus (deficit), end of year	\$ 104,466,064	\$ (2,038,971)

See accompanying notes to consolidated financial statements.

MISSANABIE CREE FIRST NATION

Consolidated Statement of Changes in Net Financial Assets (Net Debt)

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

	2020	2019
Excess of revenue over expenses	\$ 106,505,035	\$ 870,040
Amortization of tangible capital assets	126,716	132,761
	106,631,751	1,002,801
Acquisition of prepaid expenses	(79,598)	(34,492)
Use of prepaid expenses	34,492	38,965
Change in net financial assets	106,586,645	1,007,274
Net debt, beginning of year	(5,208,106)	(6,215,380)
Net financial assets (net debt), end of year	\$ 101,378,539	\$ (5,208,106)

See accompanying notes to consolidated financial statements.

MISSANABIE CREE FIRST NATION

Consolidated Statement of Cash Flows

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

	2020	2019
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 106,505,035	\$ 870,040
Adjustment for non-cash items		
Amortization of tangible capital assets	126,716	132,761
Share of operating income from First Nation business enterprises	736,127	121,679
	107,367,878	1,124,480
Changes in non-cash working capital:		
Decrease in accounts receivable	112,766	96,163
Increase in land settlement process receivable	(150,000,000)	-
Decrease (increase) in prepaid expenses	(45,106)	4,473
Increase (decrease) in accounts payable and accrued liabilities	(66,602)	78,527
Increase (decrease) in deferred revenue	513,596	(64,898)
	(42,117,468)	1,238,745
Financing transactions:		
Proceeds from long-term debt	50,000,000	412,880
Principal repayments of long-term debt	(4,642,400)	(65,683)
	45,357,600	347,197
Investing transactions:		
Investment in First Nation business enterprises	(795,909)	(927,206)
Increase in amounts due from 1309912 Ontario Limited	(70,000)	(120,000)
	(865,909)	(1,047,206)
Increase in cash and short-term investments	2,374,223	538,736
Cash and short-term investments, beginning of year	1,297,135	758,399
Cash and short-term investments, end of year	\$ 3,671,358	\$ 1,297,135
Cash and short-term investments is composed of the following:		
Cash	\$ 3,495,053	\$ 1,068,153
Short-term investments	176,305	228,982
	\$ 3,671,358	\$ 1,297,135

See accompanying notes to consolidated financial statements.

MISSANABIE CREE FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2020

The Missanabie Cree First Nation administers funds to provide programs and services as contracted with various agencies for the benefit of its members.

1. Significant accounting policies:

These consolidated financial statements of Missanabie Cree 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 of Canada. 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 the activities of all committees of Council under the control of the First Nation. These consolidated financial statements reflect the assets, liabilities, revenues and expenses of all programs under the control of Chief and Council.

(ii) Investment in First Nation business enterprises:

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. Interorganizational balances and transactions are eliminated upon consolidation.

Organizations consolidated include:

- Missanabie Cree Development Corporation

Organizations accounted for on a modified equity basis include:

- Missanabie Cree Business Limited Partnership (“MCBLP”)
- Missanabie Cree Business Corporation (“MCBC”)
- Wahkohtowin Development Limited Partnership (“WDLP”)
- Northeast Superior Investment Limited Partnership (“NSILP”)
- 1309912 Ontario Limited (operating as Island View Camp) (“Island View”)
- Opeewin Limited Partnership (“OLP”)

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.

MISSANABIE CREE FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2020

1. Significant accounting policies (continued):

(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 measureable. 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.

(c) Government transfers and other revenue recognition:

Transfers are recognized in the consolidated financial statements as revenues in the period in which the events give rise to the transfer, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made.

Revenue from fees, contracts and sales of publications is recognized when the services are provided or the goods are sold.

(d) Allocation of revenue and expenses:

The allocation of revenue and expenses was determined by management in accordance with the specific terms of the applicable contribution agreements.

(e) Non-consolidated entities:

Castle Homes & Building Products Inc. has not been consolidated due to the nature of the operations. It has been accounted for on the modified equity basis and, due to financial performance has been written down to \$Nil. Subsequent to March 31, 2020 the property and building were sold, and the entity is in the process of being wound up.

(f) 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 are amortized on a declining-balance basis over their estimated useful lives as follows:

Buildings	25 years
Equipment	5 years

Annual amortization is charged at 50% 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.

MISSANABIE CREE FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2020

1. Significant accounting policies (continued):

(g) Treaty land entitlement expenditures to be recovered from future revenues:

Treaty land entitlement expenditures to be recovered from future revenues reflects costs associated with land entitlements to date which are offset against future land entitlement settlements from Indigenous Services Canada ("ISC") (see note 12).

(h) 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 and disclosure of contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant items subject to such estimates and assumptions include the carrying amount of tangible capital assets and valuation allowances for accounts receivables. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the statement of operations in the year in which they become known.

(i) 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.

(j) 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 related to prior years are charged to operations in the year during which the adjustments are made.

(k) Other investments:

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

MISSANABIE CREE FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2020

2. Due from 1309912 Ontario Limited:

The amount due from 1309912 Ontario Limited ("Island View Camp") is unsecured, bears no interest and has no specified terms of repayment. The First Nation is related by virtue of being the 100% shareholder. Subsequent to year end, as a result of the land treaty settlement, the amount due from Island View Camp was settled by way of a grant from the First Nation.

3. Investment in First Nation business enterprises:

	Ownership	2020	2019
MCBLP	99%	\$ 1,047,915	\$ 927,205
MCBC	100%	1	1
WDLP	33%	170,811	181,713
NSILP	33%	232,976	331,252
Island View	100%	1	1
OLP	25%	48,250	—
		\$ 1,499,954	\$ 1,440,172

i) Missanabie Cree Business Limited Partnership:

The First Nation has a direct 99% interest in Missanabie Cree Business Limited Partnership and a further 1% interest by virtue of its 100% investment in Missanabie Cree Business Corporation, the general partner of MCBLP. MCBLP is engaged primarily in economic development projects. The First Nation's interest in MCBLP 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 investments at March 31, 2020 consist of the following:

	MCBLP	MCBC	Total
Balance, beginning of the year	\$ 927,205	\$ 1	\$ 927,206
First Nation's share of losses	(480,289)	-	(480,289)
Partnership contribution during the year	600,999	-	600,999
Balance, end of year	\$ 1,047,915	\$ 1	\$ 1,047,916

MISSANABIE CREE FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2020

3. Investment in First Nation business enterprises (continued):

i) Missanabie Cree Business Limited Partnership (continued):

Financial information for the business enterprises fiscal year end March 31, 2020 is as follows:

	MCBLP	MCBC	Total
Financial position:			
Current assets	\$ 1,080,365	\$ 187,444	\$ 353,908
Non-current assets	172,803	2	170,937
Total assets	1,253,168	187,446	524,845
Current liabilities	205,253	213,805	121,631
Partners' equity (deficit)	\$ 1,047,915	\$ (26,359)	\$ 403,214
Results of operations:			
Revenue	\$ 930,508	\$ 272,400	\$ 1,202,908
Expenses	1,410,797	296,400	1,707,197
Net loss	\$ (480,289)	\$ (24,000)	\$ (504,289)

ii) Wahkohtowin Development Limited Partnership:

A direct 33% interest in the Wahkohtowin Development Limited Partnership ("WDLP") and its general partner Wahkohtowin Development General Partner Inc. ("WDGP"). WDLP is engaged in community economic development and is accounted for using the modified equity method.

The First Nation's interest in these business enterprises is summarized as follows:

	2020	2019
WDLP (250 Class A, 250 Class B Limited Partner Units)	\$ 170,453	\$ 181,354
WDGP (250 Common Shares)	358	359
	\$ 170,811	\$ 181,713

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

	WDLP	WDGP	Total
Balance, beginning of the year	\$ 181,354	\$ 359	\$ 181,713
First Nation's share of loss	(10,901)	(1)	(10,902)
Balance, end of year	\$ 170,453	\$ 358	\$ 170,811

MISSANABIE CREE FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2020

3. Investment in First Nation business enterprises (continued):

ii) Wahkohtowin Development Limited Partnership (continued):

Financial information for the business enterprises fiscal year end March 31, 2020 is as follows:

	WDLP	WDGP	Total
Financial position:			
Current assets	\$ 353,682	\$ 223	\$ 353,908
Non-current assets	170,937	3	170,937
Total assets	524,619	226	524,845
Current liabilities	120,880	751	121,631
Partners' equity (deficit)	\$ 403,739	\$ (525)	\$ 403,214
Results of operations:			
Revenue	\$ 872,684	\$ (4)	\$ 872,680
Expenses	905,391	1,313	906,704
Net loss	\$ (32,707)	\$ (1,317)	\$ (34,024)

iii) Northeast Superior Investment Limited Partnership:

A direct 33% interest in the Northeast Superior Investment Limited Partnership ("NSILP") and its general partner Northeast Superior Investment General Partner Inc. ("NSIGP"). NSILP is engaged in the forestry and energy sector with investments in sawmill and power generation companies and is accounted for using the modified equity method.

The First Nation's interest in these business enterprises is summarized as follows:

	2020	2019
NSILP (310 Class A Limited Partner Units)	\$ 232,975	\$ 331,251
NSIGP (3 Common Shares)	1	1
	\$ 232,976	\$ 331,252

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

	NSILP	NSIGP	Total
Balance, beginning of the year	\$ 331,251	\$ 1	\$ 331,252
First Nation's share of loss	(244,935)	—	(244,935)
Partnership contribution during the year	146,659	—	146,659
Balance, end of year	\$ 232,975	\$ 1	\$ 232,976

MISSANABIE CREE FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2020

3. Investment in First Nation business enterprises (continued):

iii) Northeast Superior Investment Limited Partnership (continued):

Financial information for the business enterprises fiscal year end March 31, 2020 is as follows:

	NSILP	NSIGP	Total
Financial position:			
Current assets	\$ 239,937	\$ 1	\$ 239,938
Non-current assets	3,614,781	–	3,614,781
Total assets	3,854,718	1	3,854,719
Current liabilities	531,072	–	531,072
Long-term debt	2,639,714	–	2,639,714
Partners' equity	\$ 683,932	\$ 1	\$ 683,933
Results of operations:			
Revenue	\$ (532,349)	\$ –	\$ (532,349)
Expenses	202,453	–	202,453
Net earnings (loss)	\$ (734,802)	\$ –	\$ (734,802)

(iv) Investment in 1309912 Ontario Limited:

Transactions with 1309912 Ontario Limited, operating as Island View Camp (Island View), during the year included: rental of facilities and equipment for \$22,140 (2019 - \$29,114) and management revenue of \$34,823 (2019 - \$40,580).

A summary of Island View's financial results as at March 31, 2020 is as follows:

	2020	2019
Financial position:		
Current assets	\$ 9,659	\$ 15,972
Capital assets	170,893	189,828
Total assets	\$ 180,552	\$ 205,800
Current and total liabilities	\$ 883,102	\$ 798,491
Shareholder's deficiency	\$ (702,550)	\$ (592,691)

MISSANABIE CREE FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2020

3. Investment in First Nation business enterprises (continued):

iv) Investment in 1309912 Ontario Limited (continued):

	2020	2019
Results of operations:		
Revenue	\$ 31,836	\$ 133,291
Operating expenses	(139,213)	(152,800)
Interest on long-term debt	(2,482)	(591)
Net loss for the year	\$ (109,859)	\$ (20,100)

v) Opeewin Limited Partnership:

A direct 25% interest in the Opeewin Limited Partnership ("OLP"). OLP is engaged in the forestry related projects and is accounted for using the modified equity method.

A summary of OLP's financial results as at March 31, 2020 is as follows:

	2020	2019
Financial position:		
Current assets	\$ 287,630	\$ —
Capital assets	1,452,065	—
Total assets	\$ 1,739,695	\$ —
Current and total liabilities	\$ 1,546,697	\$ —
Shareholder's deficiency	\$ 192,998	\$ —
Results of operations:		
Revenue	\$ 1,161,822	\$ —
Operating expenses	(968,824)	—
Net loss for the year	\$ 192,998	\$ —

4. Deferred revenue:

Funding received for services not yet provided is included in the consolidated financial statements as deferred revenue. The following program balances were deferred:

	2020	2019
Indigenous Services Canada	\$ 243,106	\$ 200,783
Economic development	649,797	183,047
Other	119,238	87,981
Education	137,994	64,854
Special projects	—	99,874
	\$ 1,150,135	\$ 636,539

MISSANABIE CREE FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2020

5. Long-term debt:

	2020	2019
(a) Loan payable to Indigenous Services Canada	\$ 3,652,524	\$ 3,652,524
(b) RBC term loan	—	4,576,485
(c) RBC demand loan - MCDC	23,724	57,362
(d) RBC demand loan - MCDC	53,580	85,857
(e) CIBC land treaty bridge term loan	50,000,000	—
	<u>\$ 53,729,828</u>	<u>\$ 8,372,228</u>

Principal due within the next year on the long-term debt is as follows:

2021	<u>\$ 53,729,828</u>
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- (a) The loan payable to Indigenous Services Canada is secured by a promissory note due the later of March 31, 2022 or the date on which the land claim is settled. On August 13, 2019, the land claim settlement was ratified. The loan payable was fully repaid subsequent to year end (see note 9).
- (b) The term loan with Royal Bank of Canada was paid out during the year with proceeds from the term loan (e) with CIBC obtained during the year.
- (c) The demand loan with Royal Bank of Canada is due November 2020, bears interest at 4.66%, has monthly blended payments of \$2,967, and is secured by land and building with a carrying value of \$2,984,718.
- (d) The demand loan with Royal Bank of Canada is due November 2020, bears interest at 4.66%, has monthly blended payments of \$2,967, and is secured by land and building with a carrying value of \$2,984,718.
- (e) The non-revolving bridge term loan with CIBC, secured by the proceeds receivable from the Government of Canada for the Land Settlement Claim, is payable in interest only monthly payments at 3.95% and is due six months after fully drawn or upon receipt of the land treaty proceeds.

The First Nation also has a revolving credit facility with CIBC with a maximum loan amount of \$90,000,000 for the purpose of paying the bridge term loan and other future economic development and social programming initiatives. The facility has an interest rate of 3.95% and is payable in monthly principal and interest payments calculated on amounts drawn. At March 31, 2020 no funds were utilized on the facility. The facility is secured by a general security agreement and pledge on the investment account of the legacy trust account held by the First Nation funded by the land claim settlement received subsequent to year end (see note 9).

MISSANABIE CREE FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2020

6. Tangible capital assets:

Cost	Balance at March 31, 2019	Additions	Disposals	Balance at March 31, 2020
Land	\$ 38,700	\$ -	\$ -	\$ 38,700
Buildings	3,895,663	-	-	3,895,663
Equipment	392,840	-	-	392,840
Total	\$ 4,327,203	\$ -	\$ -	\$ 4,327,203

Accumulated amortization	Balance at March 31, 2019	Amortization expense	Disposals	Balance at March 31, 2020
Buildings	\$ 820,131	\$ 123,040	\$ -	\$ 943,171
Equipment	372,429	3,676	-	376,105
Total	\$ 1,192,560	\$ 126,716	\$ -	\$ 1,319,276

	Net book value, March 31, 2019	Net book value, March 31, 2020
Land	\$ 38,700	\$ 38,700
Buildings	3,075,532	2,952,492
Equipment	20,411	16,735
Total	\$ 3,134,643	\$ 3,007,927

MISSANABIE CREE FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2020

6. Tangible capital assets (continued):

Cost	Balance at March 31, 2018	Additions	Disposals	Balance at March 31, 2019
Land	\$ 38,700	\$ -	\$ -	\$ 38,700
Buildings	3,895,663	-	-	3,895,663
Equipment	392,840	-	-	392,840
Total	\$ 4,327,203	\$ -	\$ -	\$ 4,327,203

Accumulated amortization	Balance at March 31, 2018	Amortization expense	Disposals	Balance at March 31, 2019
Buildings	\$ 691,963	\$ 128,168	\$ -	\$ 820,131
Equipment	367,836	4,593	-	372,429
Total	\$ 1,059,799	\$ 132,761	\$ -	\$ 1,192,560

	Net book value, March 31, 2018	Net book value, March 31, 2019
Land	\$ 38,700	\$ 38,700
Buildings	3,203,700	3,075,532
Equipment	25,004	20,411
Total	\$ 3,267,404	\$ 3,134,643

MISSANABIE CREE FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2020

7. Contingencies:

The First Nation is contingently liable for an available credit facility in the amount of \$100,000 to the Royal Bank of Canada. At March 31, 2020, no amounts were outstanding on the facility.

The First Nation is also contingently liable for an available line of credit, in the amount of \$80,000 by 1309912 Ontario Limited, a company controlled by the First Nation.

In addition, the First Nation was contingently liable for fixed rate term facilities in the aggregate amount of \$587,033 by Castle Homes & Building Products Inc., a company controlled by the First Nation. The loans were secured by property located at 3476 Highway 17 East, Echo Bay, Ontario. Subsequent to year end, this property was sold and the term facilities paid out in full.

8. Accumulated surplus (deficit):

Accumulated surplus (deficit) consists of individual fund surplus and reserves as follows:

	2020	2019
Surplus (deficit):		
Invested in tangible capital assets	\$ 2,930,623	\$ 2,991,424
Investment in First Nation business enterprises	1,499,954	1,440,172
Ontario First Nations Limited Partnership	3,880,141	3,566,807
Operating deficit	(1,598,419)	(1,409,768)
	6,712,299	6,588,635
Land Treaty Trust (unfunded treaty land entitlement expenditures)	97,753,765	(8,627,606)
	\$ 104,466,064	\$ (2,038,971)

9. Treaty land settlement process:

The First Nation has been involved in a treaty land entitlement settlement process with the Government of Canada. A final \$150,000,000 settlement agreement was ratified by the First Nation membership on August 13, 2019 and for payment by the Government of Canada on February 29, 2020.

As a part of the settlement process, individual members of the First Nation were eligible to receive a settlement payment of approximately \$115,000. During the year member disbursements were made in the amount of \$42,205,019.

On June 2, 2020 the funds were received, net of the amount to settle the loan payable to Indigenous Services Canada (note 7) and is reflected in accounts receivable. The net funds received subsequent to year end are held in a legacy trust account administered by CIBC.

MISSANABIE CREE FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2020

10. Change in accounting policy and comparative information:

Certain investments in limited partnerships have been re-evaluated and determined to meet the definition of a government business enterprise ("First Nation business enterprise") based on the ownership structure of the partnership agreements in effect as of March 31, 2019. As a result, First Nation business enterprises investments that were previously consolidated have been adjusted to be accounted for on a modified equity basis, with retroactive reclassifications made in the comparative information. As a result of the change in accounting policy, net debt decreased \$340,960 from the amount previously reported, with no overall impact on accumulated deficit or excess of revenues over expenses previously reported.

Certain other comparative information has been reclassified from those previously presented to conform to the presentation of the 2020 financial statements.

11. 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 First Nation received permission for certain funding from Indigenous Services Canada and other agencies that normally is repayable to the funders on an annual basis to be deferred to 2021. The impact of these deferrals resulted in an increase in deferred revenue to \$1,150,135 at March 31, 2020 (2019 - \$636,539).
- 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.

12. Segmented information:

Missanabie Cree First Nation is a diversified governmental institution that provides a wide range of services to its Members, including education, community services, economic development, land transfer process, band government, and Mushkegowuk programs. 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 departments and their activities are reported in these funds. Certain departments that have been separately disclosed in the financial statements, along with the services they provide, are as follows:

Education

The education department reimburses tuition costs and provides living and other allowances to students who are attending post-secondary institutions.

MISSANABIE CREE FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2020

12. Segmented information (continued):

Community Services

The community service department provides a wide range of support services for children and families including health and community care.

Economic Development

The economic development department is responsible for identifying and developing economic opportunities for the benefit of the First Nation and its Members. The department also secures and delivers employment training funding for the First Nation.

Land Transfer Process

The land transfer process department is responsible for the provincial negotiations towards the transfer of entitled lands for the First Nation.

Band Government

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

Mushkegowuk

This Mushkegowuk department is responsible for all project activities qualified for funding through the Mushkegowuk Council.

For each reported segment, revenues and expenses include both amounts that are directly attributable to the segment and amounts that are allocations on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information.

MISSANABIE CREE FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2020

12. Segmented information (continued):

	2020								
	Band Government	Community Services	Mushkegowuk Programs	Education	Land Transfer Process / Claim Settlement	Economic Development	Other	Restricted Fund	Consolidated Total
Revenue:									
Deferred revenue, beginning of year	\$ 71,222	323,877	-	-	-	170,053	60,037	-	625,189
Government grants:									
Indigenous Services Canada	180,707	246,624	-	350,167	-	150,022	50,000	-	977,520
Mushkegowuk Council	2,500	-	28,127	-	-	772,457	-	-	803,084
Government of Canada (note 9)	21,972	-	-	-	150,000,000	2,161	-	-	150,024,133
Mocreebec Council	30,250	-	-	-	-	-	-	-	30,250
Health Canada	-	384,342	-	-	-	-	-	-	384,342
Nishnawbe Aski Nation	2,823	119,417	-	-	-	-	-	-	122,240
Province of Ontario	1,300	148,610	-	-	-	-	-	-	149,910
Ontario First Nation Limited Partnership	-	-	-	-	-	-	-	627,415	627,415
Share of earnings (losses) from investment in First Nation business enterprises	-	-	-	-	-	(687,877)	-	-	(687,877)
Other	29,709	489,808	-	4,297	-	555,018	66,025	-	1,144,857
Interest	-	-	-	-	5,159	-	-	1,337	6,496
Deferred revenue, end of year	(27,229)	(250,921)	-	-	-	(675,227)	(71,808)	-	(1,025,185)
	313,254	1,461,757	28,127	354,464	150,005,159	286,607	104,254	628,752	153,182,374
Expenses:									
Salaries and employee benefits	71,200	549,839	12,025	29,484	-	155,346	18,928	-	836,822
Professional fees	109,354	41,050	-	-	459,653	18,920	4,613	-	633,590
Rental of facilities and equipment	34,024	85,059	-	-	-	1,500	1,097	-	121,680
Travel	44,640	257,572	1,016	-	28,760	9,163	13,591	-	354,742
Honoraria	115,200	40,498	-	-	750	150	-	-	156,598
Member distributions (note 9)	-	-	-	-	42,205,019	-	-	-	42,205,019
Materials and supplies	28,947	448,742	-	-	-	118,710	-	-	596,399
Repairs and maintenance	18,012	-	-	-	-	-	-	-	18,012
Insurance	-	-	-	-	34,015	265	-	-	34,280
Interest on long-term debt	-	-	-	-	877,891	-	-	-	877,891
Other (recoveries)	(84,233)	(9,297)	15,000	324,980	17,700	132,739	66,025	252,676	715,590
Amortization of tangible capital assets	3,242	-	-	-	-	123,474	-	-	126,716
	340,386	1,413,463	28,041	354,464	43,623,788	560,267	104,254	252,676	46,677,339
Excess (deficiency) of revenue over expenses	(27,132)	48,294	86	-	106,381,371	(273,660)	-	376,076	106,505,035
Transfers	58,105	3,810	(86)	-	-	913	-	(62,742)	-
Annual surplus (deficit)	\$ 30,973	52,104	-	-	106,381,371	(272,747)	-	313,334	106,505,035

MISSANABIE CREE FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2019

12. Segmented information (continued):

	2019								
	Band Government	Community Services	Mushkegowuk Programs	Education	Land Transfer Process / Claim Settlement	Economic Development	Other	Restricted Fund	Consolidated Total
Revenue:									
Deferred revenue, beginning of year	\$ 19,579	299,449	-	-	-	328,765	-	-	647,793
Government grants:									
Indigenous Services Canada	289,474	255,509	-	384,315	-	218,292	50,000	-	1,197,590
Mushkegowuk Council	9,600	2,000	61,352	-	-	-	3,484	-	76,436
Mocreebec Council	34,944	-	-	-	-	-	-	-	34,944
Health Canada	-	345,873	-	-	-	-	-	-	345,873
Nishnawbe Aski Nation	-	135,574	-	-	-	-	7,936	-	143,510
Province of Ontario	-	117,760	-	-	-	18,477	25,138	-	161,375
Ontario First Nation Limited Partnership	-	-	-	-	-	-	-	721,746	721,746
Share of earnings (losses) from investment in First Nation business enterprises						1,031,755			1,031,755
Other	6,877	438,598	-	28,369	-	76,913	292,362	-	843,119
Interest	73	-	-	-	-	-	-	14	87
Deferred revenue, end of year	(71,222)	(323,877)	-	-	-	(170,053)	(60,037)	-	(625,189)
	289,325	1,270,886	61,352	412,684	-	1,504,149	318,883	721,760	4,579,039
Expenses:									
Salaries and employee benefits	99,709	434,176	28,382	48,123	-	329,715	26,049	-	966,154
Professional fees	66,290	35,337	-	-	168,211	21,879	3,000	-	294,717
Rental of facilities and equipment	27,217	99,976	-	-	-	403	-	-	127,596
Travel	34,108	297,854	-	-	7,551	10,986	30,486	-	380,985
Honoraria	108,286	22,588	-	-	1,000	-	-	-	131,874
Materials and supplies	9,287	447,579	-	2,969	-	136,412	-	-	596,247
Repairs and maintenance	20,328	-	-	-	-	-	-	-	20,328
Insurance	-	3,500	-	-	80,898	1,403	-	-	85,801
Interest on long-term debt	-	-	-	-	159,600	-	-	-	159,600
Other (recoveries)	(37,394)	(51,061)	33,050	361,592	2,626	8,743	234,835	260,545	812,936
Amortization of tangible capital assets	4,052	-	-	-	-	128,709	-	-	132,761
	331,883	1,289,949	61,432	412,684	419,886	638,250	294,370	260,545	3,708,999
Excess (deficiency) of revenue over expenses	(42,558)	(19,063)	(80)	-	(419,886)	865,899	24,513	461,215	870,040
Transfers	77,275	(3,014)	80	-	-	270	(2,436)	(72,175)	-
Annual surplus (deficit)	\$ 34,717	(22,077)	-	-	(419,886)	866,169	22,077	389,040	870,040