

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

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Indigenous Services Canada
Services aux Autochtones Canada
Thunder Bay

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

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Michipicoten First Nation Management's Responsibility for Financial Reporting

March 31, 2023

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

These consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board. Management is responsible for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

On behalf of Michipicoten First Nation:

— DocuSigned by:

Patricia Tangie

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Chief

— DocuSigned by:

Diane Purser

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Finance Manager

Independent Auditor's Report

To the Members of Michipicoten First Nation

Qualified Opinion

We have audited the consolidated financial statements of Michipicoten First Nation (the First Nation), which comprise the statement of financial position as at March 31, 2023, the statements of operations, statement of remeasurement gains and losses, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the First Nation as at March 31, 2023, and the results of its operations, its remeasurement gains and losses, changes in net assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

Effective April 1, 2022, the First Nation was required to adopt PS 3280 Asset Retirement Obligations which requires the recognition of legal obligations associated with the retirement of tangible capital assets by public sector entities. Under the modified retrospective application method, the asset retirement obligation on transition is to be recorded using assumptions as of April 1, 2022. The corresponding asset retirement cost is added to the carrying value of the related tangible capital assets adjusted for amortization since the time the legal obligation was incurred. The net adjustment is charged to accumulated surplus. Comparative figures are to be restated to reflect this change in accounting policy. Management has not completed its assessment of the tangible capital assets for potential asset retirement obligations. As a result, it is not possible to quantify the impact of this departure from Canadian public sector accounting standards on expenses and annual surplus for the years ended March 31, 2023 and 2022, tangible capital assets and the asset retirement obligation as at March 31, 2023 and 2022, and accumulated surplus as at April 1 and March 31 for both the 2023 and 2022 years.

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the First Nation's ability to continue as a going concern, disclosing, as applicable, matters related to 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.

Independent Auditor's Report (continued)

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

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

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

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

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

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

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Sault Ste. Marie, Ontario
October 4, 2023

Michipicoten First Nation
Consolidated Statement of Financial Position

March 31	2023	2022
Financial assets		
Cash	\$ 3,729,170	\$ 7,305,564
Short term deposit receipts	19,000,000	18,000,000
Accounts receivable (Note 3)	4,843,637	2,315,317
Investments (Note 4)	7,827,921	3,999,979
Funds held in trust with Government of Canada (Note 5)	<u>519,125</u>	<u>260,508</u>
	<u>35,919,853</u>	<u>31,881,368</u>
Liabilities		
Accounts payable and accrued liabilities	1,236,996	879,496
Deferred revenue (Note 6)	6,846,000	5,989,869
Long term debt (Note 7)	448,948	520,175
Future landfill closure and post-closure costs	-	12,645
	<u>8,531,944</u>	<u>7,402,185</u>
Net financial assets	<u>27,387,909</u>	<u>24,479,183</u>
Non-financial assets		
Tangible capital assets (Schedule 1)	14,133,561	13,544,509
Prepaid expenses	<u>49,292</u>	<u>47,692</u>
	<u>14,182,853</u>	<u>13,592,201</u>
Accumulated surplus (Note 8)	<u><u>\$ 41,570,762</u></u>	<u><u>\$ 38,071,384</u></u>
Accumulated surplus is comprised of:		
Accumulated operating surplus	\$ 41,570,762	\$ 38,071,384
Accumulated remeasurement gains (losses)	-	-
	<u><u>\$ 41,570,762</u></u>	<u><u>\$ 38,071,384</u></u>

On behalf of the First Nation:

DocuSigned by:

Patricia Tangie

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Chief

DocuSigned by:

Diane Purser

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Finance Manager

Michipicoten First Nation
Consolidated Statement of Operations

<u>For the year ended March 31</u>	<u>Budget</u>	<u>2023</u>	<u>2022</u>
Revenue			
Indigenous Services Canada	\$ 5,259,549	2,492,681	\$ 1,370,557
Canada	5,224,676	1,502,811	1,081,209
Ontario	1,904,030	736,907	448,394
Ontario First Nations (2008) Limited Partnership	739,237	739,237	516,339
Michipicoten First Nation trusts	762,797	804,015	762,777
Aboriginal organizations	5,253,605	2,654,448	1,956,717
Rentals, interest and other	1,912,707	5,018,944	15,504,763
	<hr/>	<hr/>	<hr/>
	21,056,601	13,949,043	21,640,756
Expenses			
Community and membership	1,343,477	1,651,960	899,931
Education	2,909,733	1,954,607	1,519,893
Infrastructure & asset management	2,987,930	717,238	746,992
Health and social services	1,609,187	1,912,579	999,969
Administration and governance	562,056	685,225	453,443
Housing	1,026,465	619,556	293,458
Enterprises and economic development	197,523	1,765,849	736,855
Other	1,502,034	1,142,651	1,805,526
	<hr/>	<hr/>	<hr/>
	12,138,405	10,449,665	7,456,067
Annual surplus	8,918,196	3,499,378	14,184,689
Accumulated operating surplus, beginning of year	38,071,384	38,071,384	23,886,695
Accumulated operating surplus, end of year	\$ 46,989,580	\$ 41,570,762	\$ 38,071,384

Michipicoten First Nation
Consolidated Statement of Remeasurement Gains and Losses

For the year ended March 31	2023	2022
Adoption of Section 3450 Financial Instruments (Note 2)	\$ 396,472	\$ -
Unrealized gains (losses) attributable to:		
Portfolio investments	<u>(3,258,431)</u>	-
	(2,861,959)	-
Amounts reclassified to the statement of operations:		
Portfolio investments	<u>2,861,959</u>	-
Accumulated remeasurement gains (losses), end of year	\$ -	\$ -

Michipicoten First Nation
Consolidated Statement of Change in Net Financial Assets

<u>For the year ended March 31</u>	<u>Budget</u>	<u>2023</u>	<u>2022</u>
Annual surplus	\$ 8,918,196	\$ 3,499,378	\$ 14,184,689
Acquisition of tangible capital assets	-	(932,378)	(140,000)
Amortization of tangible capital assets	343,326	343,326	318,833
Prepaid expenses	-	(1,600)	(7,194)
	9,261,522	2,908,726	14,356,328
Net remeasurement gains (losses)	-	-	-
Change in net financial assets	9,261,522	2,908,726	14,356,328
Net financial assets, beginning of year	24,479,183	24,479,183	10,122,855
Net financial assets, end of year	\$ 33,740,705	\$ 27,387,909	\$ 24,479,183

Michipicoten First Nation
Consolidated Statement of Cash Flows

<u>For the year ended March 31</u>	<u>2023</u>	<u>2022</u>
Operating transactions		
Annual surplus	\$ 3,499,378	\$ 14,184,689
Items not involving cash		
Amortization	343,326	318,833
Unfunded landfill site costs	<u>4,889</u>	<u>8,013</u>
	3,847,593	14,511,535
Changes in non-cash operating balances		
Accounts receivable	(2,528,320)	(197,229)
Prepaid expenses	(1,600)	(7,194)
Accounts payable and accrued liabilities	339,966	(57,891)
Deferred revenue	<u>856,131</u>	<u>2,208,273</u>
	2,513,770	16,457,494
Investing activities		
Short term deposit receipts	(1,000,000)	(13,800,000)
Investments	(3,827,942)	(1,993,906)
Increase in funds held in trust	<u>(258,617)</u>	<u>(218,662)</u>
	(5,086,559)	(16,012,568)
Capital transactions		
Acquisition of tangible capital assets	<u>(932,378)</u>	<u>(140,000)</u>
Financing activities		
Long term debt repaid	<u>(71,227)</u>	<u>(70,540)</u>
Net change in cash	(3,576,394)	234,386
Cash, beginning of year	7,305,564	7,071,178
Cash, end of year	\$ 3,729,170	\$ 7,305,564

Michipicoten First Nation

Notes to Consolidated Financial Statements

March 31, 2023

1. Significant accounting policies

a. Basis of Accounting

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

b. Reporting Entity

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

c. Principles of Consolidation

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

Under the modified equity method of accounting, only the First Nation's investment in the government business enterprise and its portion of the enterprise's net income and other changes in equity are recorded. No adjustment is made for accounting policies of the enterprise that are different from those of the First Nation and inter-organizational balances and transactions are not eliminated.

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

The First Nation of Michipicoten Cultural Association
Michipicoten First Nation Economic Development Corporation
Michipicoten Development Limited Partnership
Michipicoten General Partnership

d. Revenue Recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis.

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

Contributions, other than government transfers, are deferred when restrictions are placed on their use by external contributor, and are recognized as revenue when used for the specific purpose.

Revenue related to fees or services received in advance of the fee being earned or the service being performed, is deferred and recognized when the fee is earned or service performed.

e. Measurement Uncertainty

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

Michipicoten First Nation Notes to Consolidated Financial Statements

March 31, 2023

1. Significant accounting policies (continued)

f. Cash and Cash Equivalents

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

g. Financial Instruments

Cash and equity instruments quoted in an active market are measured at fair value. Accounts receivable, accounts payable, and long-term debt are measured at cost or amortized cost. The carrying amount of each of these financial instruments is presented on the statement of financial position.

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations. Interest and dividends attributable to financial instruments are reported in the statement of operations.

When investment income and realized and unrealized gains and losses from changes in the fair value of financial instruments are externally restricted, the investment income and fair value changes are recognized as revenue in the period in which the resources are used for the purpose specified.

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

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations.

Transaction costs are added to the carrying value for financial instruments measured using cost or amortized cost. Transaction costs are expensed for financial instruments measured at fair value.

h. Pension Plan

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

i. Tangible Capital Assets

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

Amortization is provided for on a straight-line basis over the the following years, which approximate estimated useful life of the tangible capital asset:

Land improvements	10 to 30
Buildings	10 to 40
Housing	10 to 40
Machinery and equipment	10 to 40
Vehicles	3 to 10
Infrastructure	10 to 50

Michipicoten First Nation Notes to Consolidated Financial Statements

March 31, 2023

1. Significant accounting policies (continued)

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

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

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

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

Assets under construction are not amortized until the asset is available for service.

2. Change in accounting policy

On April 1, 2022, the First Nation adopted PS 3450 Financial instruments which establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. This standard is effective April 1, 2022 and is required to be adopted prospectively. As a result the unrealized gains and losses on investments for the year ended March 31, 2023 are shown on a new statement, the statement of measurement gains and losses. In addition there is a transition adjustment for the adoption of this new standard in the amount of \$396,472 which represents the unrealized gain on the investments as at April 1, 2022. The comparative figures have not been restated from the presentation and disclosure requirements of the previous financial reporting framework adopted by the First Nation.

Michipicoten First Nation
Notes to Consolidated Financial Statements

March 31, 2023

3. Accounts receivable

	2023	2022
Indigenous Services Canada	\$ 793,956	\$ 642,776
Per Captia Distributions	688,073	359,586
Province of Ontario	133,918	119,807
Health Canada	108,649	62,783
CMHC	(11,275)	294,125
Aboriginal organizations	687,064	520,848
Ontario First Nations Limited Partnership	-	-
Cultural Association	1,833	2,237
Michipicoten Development Limited Partnership	-	50,986
Settlement Trust	492,828	-
Other	<u>2,200,341</u>	<u>277,169</u>
	5,095,387	2,330,317
Less: Allowance for doubtful accounts	<u>(251,750)</u>	<u>(15,000)</u>
	<u><u>\$ 4,843,637</u></u>	<u><u>\$ 2,315,317</u></u>

4. Investments

	2023	2022
Cost		
Bamkushwada Limited Partnership	\$ 1	\$ 1
Supercom Industries LP	1	1
Michipicoten Development Limited Partnership	-	10,099
Naagaaniyang Limited Partnership	<u>6,700,000</u>	<u>-</u>
	6,700,002	10,101
Market value		
Argonaut Gold Inc.	<u>1,127,919</u>	<u>3,989,878</u>
Total Investments	<u><u>\$ 7,827,921</u></u>	<u><u>\$ 3,999,979</u></u>

Since the 2021 fiscal year end, the market value of the shares of Argonaut Gold Inc. have declined significantly. Canadian public sector accounting standards require portfolio investments to be written down when there has been a loss in value that is other than a temporary decline. At this point of time, an impairment loss has been recognized.

The First Nation has made a Capital Contribution along with five other 'Group B' partners into the Naagaaniyang Limited Partnership, which is to acquisition of Real Estate Property - Victoria Inn Hotel. The First Nation made a capital contribution of \$6,700,000, however, does not exercise control of the organization.

Michipicoten First Nation

Notes to Consolidated Financial Statements

March 31, 2023

4. Investments (continued)

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

Fair value of First Nation's portfolio investments have been determined using Level 1 measures in the fair value hierarchy.

5. Trust funds

	Beginning	Additions	Withdrawals	Ending
Revenue Capital	\$ 258,024 2,484	\$ 258,617 -	\$ - -	\$ 516,641 2,484
	<u>\$ 260,508</u>	<u>\$ 258,617</u>	<u>\$ -</u>	<u>\$ 519,125</u>

The trust funds arise from monies derived from capital or revenue sources as outlined in Section 62 of the Indian Act. These funds are held in trust in the Consolidated Revenue Fund of the government of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act.

6. Deferred revenue

	2023	2022
Indigenous Services Canada	\$ 2,941,200	\$ 2,413,399
Canada	286,300	474,300
Ontario	615,500	687,541
Aboriginal organizations	2,474,000	1,952,859
Other revenues	<u>529,000</u>	<u>461,770</u>
	<u>\$ 6,846,000</u>	<u>\$ 5,989,869</u>

Reconciliation of deferred revenue

Balance, beginning of year	\$ 5,989,869	\$ 3,781,596
Additions during the year	6,846,000	5,989,869
Applied to operations during the year	<u>(5,989,869)</u>	<u>(3,781,596)</u>
Balance, end of year	<u>\$ 6,846,000</u>	<u>\$ 5,989,869</u>

Michipicoten First Nation
Notes to Consolidated Financial Statements

March 31, 2023

7. Long term debt

	2023	2022
Mortgage, Canada Mortgage and Housing Corporation, repayable \$5,625 monthly including interest at 0.70%, due September 2025	\$ 434,188	\$ 498,412
Vehicle loan, Ford Credit, repayable \$638 monthly including interest at 3.49%, maturing March 2025	<u>14,760</u>	21,763
	\$ 448,948	\$ 520,175

Interest paid on long term debt during the year amounted to \$3,297 (2022 - \$4,614). Assuming renewal on comparable terms, principal payments required on long term debt for the next five years are as follows:

Year	Amount
2024	\$ 71,920
2025	72,642
2026	65,617
2027	66,055
2028	66,519
Thereafter	<u>106,195</u>
	\$ 448,948

8. Accumulated surplus

	2023	2022
Accumulated surplus, end of year		
Reserves set aside for specific purposes by Chief and Council		
Land acquisition	\$ 871,599	\$ 871,599
Wealth generation strategy	17,016,287	21,625,235
CMHC reserves	327,712	329,042
Better living policies	<u>1,108,957</u>	1,092,457
Total reserves	19,324,555	23,918,333
Equity in tangible capital assets	13,684,614	13,024,334
General surplus	1,342,467	880,853
Unfunded landfill liabilities	-	(12,645)
Funds held in trust	519,126	260,509
Equity in partnerships	<u>6,700,000</u>	-
	\$ 41,570,762	\$ 38,071,384

9. Boundary claim settlement trust

As beneficiary, the First Nation is entitled to receive all taxable income of the boundary claim settlement trust. Income distributions are recognized as revenue when received or receivable and the amount can be reasonably estimated.

Michipicoten First Nation Notes to Consolidated Financial Statements

March 31, 2023

10. Pension agreement

The First Nation provides defined contribution plan for eligible members of its staff. The First Nation matches employees' contributions. The amount to be received by employees will be the amount of retirement gratuity that could be purchased based on the employees share of the pension plan at the time of the employee's withdrawal from the plan. The First Nation contributed \$75,257 (2022 - \$57,511) during the year for retirement benefits.

11. Contingent liability

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

12. Contractual right

The First Nation has control over the Michipicoten Development Corporation which as entered into contracts with a several private sector entities to allow the entities to operate a gold mine on the First Nation's land. In return the First Nation will receive a royalty fee of a range of 1.25% to 3.5% (varying by contract) of all gross invoices of said private sector entities' contract revenues earned from the mine over the life of the mine project. During the current year, the First Nation via consolidation recognized a royalty fee of \$1,283,852 (2022 - \$NIL).

13. Financial instruments

First Nation's financial instruments consist of cash, accounts receivable, portfolio investments, accounts payable and accrued liabilities. The nature of the risks to which First Nation may be subject to are as follows:

a) Credit risk

Credit risk is the risk that one party to a financial transaction will fail to discharge a financial obligation and cause the other party to incur a financial loss. First Nation is exposed to this risk relating to its cash, portfolio investments and accounts receivable.

First Nation holds its cash accounts and portfolio investments with large reputable financial institutions, from which management believes the risk of loss due to credit risk to be remote.

First Nation is exposed to credit risk in accounts receivable which includes government and other receivables. First Nation measures its exposure to credit risk with respect to accounts receivable based on how long the amounts have been outstanding and management's analysis of accounts including management's on-going monitoring of outstanding accounts, collections, and allowance for doubtful accounts (as expressed in note 3). In the opinion of management, the credit risk exposure in accounts receivable is considered to be moderate.

Michipicoten First Nation Notes to Consolidated Financial Statements

March 31, 2023

13. Financial instruments (continued)

b) Liquidity risk

Liquidity risk is the risk that the company cannot repay its obligations when they become due to its creditors. First Nation is exposed to this risk relating to its accounts payable and accrued liabilities, and loan payable.

First Nation reduces its exposure to liquidity risk by monitoring cash and investing activities and expected outflow through extensive budgeting and maintaining enough cash and investments to repay trade creditors as payables become due. In the opinion of management, the liquidity risk exposure to First Nation is low.

c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risk: interest rate risk and other price risk.

i) Interest rate risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates. First Nation is exposed to this risk through its interest-bearing investments and long term debt held.

First Nation's GIC portfolio has fixed interest rates ranging from 2.7% to 4.25% and maturities of August 25, 2023. First Nation does not use derivative instruments to reduce its exposure to interest rate risk. In the opinion of management, the interest rate risk exposure to First Nation is low.

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

ii) Other price risk

Other price risk is the uncertainty associated with the valuation of financial assets arising from changes in equity markets. First Nation is exposed to this risk through its equity holdings in its investment portfolio.

The maximum exposure to other price risk through First Nation's equity holdings is detailed in note 4 to the financial statements. Management reduces its exposure to other price risk by monitoring the value of its holdings on a regular basis. In the opinion of management, the other price risk exposure to First Nation is low.

There have not been significant changes from the previous year in the exposure to all of the above risks or policies, procedures and methods used to measure these risks.

14. Comparative figures

Comparative figures have been restated where necessary to conform to the presentation adopted during the current fiscal year.

Michipicoten First Nation Notes to Consolidated Financial Statements

March 31, 2023

15. Segmented information

The Michipicoten First Nation 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. 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 segmented information, along with the services they provide, are as follows:

Community and membership

This department is responsible for administrating programs focusing on improving the lives of members and families of the First Nation, including: better living, education and funeral policies; promoting awareness of cultural ties by gathering together youth and elders; youth employment projects; and distribution of trust settlement proceeds to members.

Education

The education department provides services to elementary and secondary students primarily by entering into service contracts with provincially funded area school boards, as well as native language study. In addition, the department reimburses tuition costs and provides living and other allowances to students who are attending post-secondary institutions.

Infrastructure & asset management - shop and public works

The infrastructure and asset management department provides public services that contribute to community development and sustainability through the provision of maintenance services for roads, water and sanitation, fire protection, electrical, information technology and community buildings.

Health and social services

This department provides a diverse bundle of services directed towards the well-being of members including such activities as medical transportation, pre-natal and early childhood care, brighter futures, building healthy communities, traditional healing, family violence prevention, band representation and other programs designed to enhance the health and social well-being of members.

Administration and governance

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

Housing

This department oversees construction and renovation of housing in the community and as well, operates the CMHC project and other band-owned homes. This department undertakes planning activities to ensure the long-term improvement of the community's homes.

Enterprises and economic development

Band operated enterprises are activities conducted by the First Nation with the objective of promoting economic self-sufficiency. These activities could include income generated from renting out band-owned equipment, lease income and other projects from time to time. This department also oversees economic development programs within the community.

Michipicoten First Nation Notes to Consolidated Financial Statements

March 31, 2023

15. Segmented information (continued)

Other programs

The First Nation provides other services, including administrating Ontario First Nations (2008) Limited Partnership funding and resource revenues.

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.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in the summary of significant accounting policies. For additional information see Schedule 2 - Consolidated Segment Disclosure.

16. Budget

The Financial Plan (Budget) By-Law adopted by Council on April 28, 2022 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 require a full accrual basis. The budget figures anticipated use of reserves and/or surpluses accumulated in previous years to reduce current year expenditures in excess of current year revenues. In addition, the budget expensed all tangible capital expenditures rather than including amortization expense. As a result, the budget figures presented in the statements of operations and change in net financial assets represent the Financial Plan adopted by Council with adjustments as follows:

Budget surplus (deficit) for the year	\$ 8,918,196
Add:	
Capital expenditures	932,378
Principal payment on long term debt	71,227
Less:	
Net inter-fund transfers from reserves	(655,279)
Amortization	(343,326)
Unfunded liability for future landfill closure costs	<u>(5,000)</u>
Budget surplus (deficit) per statement of operations	<u>\$ 8,918,196</u>

Michipicoten First Nation
Schedule 1 - Consolidated Tangible Capital Assets

For the year ended March 31, 2023

	Land	Land Improvements	Buildings	Housing	Machinery and Equipment	Vehicles	Infrastructure in Progress	Construction in Progress	Total
Cost, beginning of year	\$ 8,951,177	\$ 484,800	\$ 1,832,238	\$ 3,385,537	\$ 1,050,114	\$ 530,473	\$ 2,931,818	\$ 140,000	\$ 19,306,157
Additions	-	99,740	-	568,838	-	77,480	-	-	326,320 1,072,378
Disposals	-	-	-	-	-	-	-	-	-
Capitalized construction	-	-	-	-	-	-	-	-	(140,000)
Cost, end of year	8,951,177	584,540	1,832,238	3,954,375	1,050,114	607,953	2,931,818	326,320	20,238,535
<hr/>									
Accumulated amortization, beginning of year	-	225,272	1,120,838	1,728,675	613,447	177,627	1,895,789	-	5,761,648
Amortization	-	47,050	45,556	94,767	45,227	55,521	55,205	-	343,326
Disposals	-	-	-	-	-	-	-	-	-
Accumulated amortization, end of year	-	272,322	1,166,394	1,823,442	658,674	233,148	1,950,994	-	6,104,974
Net carrying amount, end of year	\$ 8,951,177	\$ 312,218	\$ 665,844	\$ 2,130,933	\$ 391,440	\$ 374,805	\$ 980,824	\$ 326,320	\$ 14,133,561

The net book value of tangible capital assets not being amortized because they are under construction/development or have been removed from service is \$326,320 (2022 - \$140,000).

Michipicoten First Nation
Schedule 1 - Consolidated Tangible Capital Assets

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

		Land	Land Improve-ments	Buildings	Housing	Equipment	Machinery and	Vehicles	Infra-structure	Construction in Progress	Total
Cost, beginning of year	\$ 8,951,177	\$ 484,800	\$ 1,832,238	\$ 3,385,537	\$ 1,050,114	\$ 530,473	\$ 2,931,818	\$ -	\$ -	\$ 19,166,157	
Additions	-	-	-	-	-	-	-	-	140,000	140,000	
Disposals	-	-	-	-	-	-	-	-	-	-	
Cost, end of year	8,951,177	484,800	1,832,238	3,385,537	1,050,114	530,473	2,931,818	140,000	19,306,157		
Accumulated amortization,											
beginning of year	-	184,620	1,075,282	1,648,129	568,220	125,980	1,840,584	-	-	5,442,815	
Amortization	-	40,652	45,556	80,546	45,227	51,647	55,205	-	-	318,833	
Disposals	-	-	-	-	-	-	-	-	-	-	
Accumulated amortization,											
end of year	-	225,272	1,120,838	1,728,675	613,447	177,627	1,895,789	-	-	5,761,648	
Net carrying amount, end of year	\$ 8,951,177	\$ 259,528	\$ 711,400	\$ 1,656,862	\$ 436,667	\$ 352,846	\$ 1,036,029	\$ 140,000	\$ 13,544,509		

Michipicoten First Nation
Schedule 2 - Consolidated Segment Disclosure

For the year ended March 31, 2023

	Community and Membership	Education	Infrastructure & Asset Management - Shop and Public Works	Health and Social Services	Administration and Governance	Housing	Enterprises and Economic Development	Other	Consolidated Total
Revenue									
Indigenous Services Canada	\$ 12,492	\$ -	\$ 390,734	\$ 595,124	\$ 417,607	\$ 850,235	\$ 167,024	\$ 59,465	\$ 2,492,681
Canada	-	-	-	643,928	-	69,833	770,628	18,422	1,502,811
Ontario	-	13,903	113,400	244,886	-	-	356,618	8,100	736,907
Ontario First Nations (2008) Limited Partnership	-	-	-	-	-	-	-	739,237	739,237
Trust income	804,015	-	-	-	-	-	-	-	804,015
Aboriginal organizations	8,858	1,880,530	-	679,320	-	-	-	-	-
Interest, rentals and other	99,744	58,788	13,775	(211,750)	949,383	89,382	74,935	10,805	2,654,448
Transfers between segments	739,237	-	-	-	-	-	669,470	3,350,152	5,018,944
	1,664,346	1,953,221	517,909	1,951,508	1,366,990	1,009,450	2,038,675	3,446,944	13,949,043
Expenses									
Salaries, wages and benefits	41,057	273,373	507,340	801,015	423,102	88,151	610,430	7,066	2,751,534
Materials and supplies	331,199	15,538	170,751	214,948	70,803	54,929	44,674	3,079	905,921
Contracted services	35,157	46,790	285,176	348,330	551,853	212,805	879,456	1,051,407	3,410,974
Rents and financial expenses	93	1,000	43,640	23,834	91,187	26,575	41,159	9,149	236,637
External transfers	1,186,909	1,253,934	-	296,860	-	-	-	63,570	2,801,273
Amortization	4,590	1,534	193,950	16,475	28,504	94,767	3,506	-	343,326
Transfers between segments	52,955	362,438	(483,619)	211,117	(480,224)	142,329	186,624	8,380	-
	1,651,960	1,954,607	717,238	1,912,579	685,225	619,556	1,765,849	1,142,651	10,449,665
Excess (deficiency) of revenue over expenses	\$ 12,386	\$ (1,386)	\$ (199,329)	\$ 38,929	\$ 681,765	\$ 389,894	\$ 272,826	\$ 2,304,293	\$ 3,499,378

Michipicoten First Nation
Schedule 2 - Consolidated Segment Disclosure

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

	Community and Membership	Education	Infrastructure & Asset Management - Shop and Public Works	Health and Social Services	Administration and Governance	Housing	Enterprises and Economic Development	Other	Consolidated Total
Revenue									
Indigenous Services Canada	\$ 10,620	\$ -	\$ 390,935	\$ 108,385	\$ 404,341	\$ 246,187	\$ 97,784	\$ 112,305	\$ 1,370,557
Canada	19,453	-	13,903	71,600	454,434	408,833	73,074	125,415	1,081,209
Ontario	-				64,304	-	277,082	21,505	448,394
Ontario First Nations (2008) Limited Partnership	-		-	-	-	-	-	516,339	516,339
Trust income	762,777	-	-	-	-	-	-	-	-
28,377	1,425,765								762,777
Aboriginal organizations	68	46,772	92,307	352,801	35,236	73,073	61,883	52,655	1,956,717
Interest, rentals and other	484,086	32,253	-	7,500	238,721	-	213,304	14,833,018	15,504,763
Transfers between segments								(516,339)	-
	1,305,381	1,518,693	554,842	987,424	678,298	728,093	723,127	15,144,898	21,640,756
Expenses									
Salaries, wages and benefits	55,561	268,962	409,552	269,881	498,431	64,455	256,692	80,747	1,906,281
Materials and supplies	2,126	23,978	91,506	291,413	62,279	43,449	85,942	86,115	686,808
Contracted services	-	5,441	162,725	124,524	311,936	49,310	199,271	1,455,584	2,308,791
Rents and financial expenses	54	1,000	72,399	24,784	89,340	21,390	20,025	-	228,992
External transfers and other	781,199	942,022	-	137,416	-	-	-	145,728	2,006,365
Amortization	8,163	1,534	183,976	12,601	28,504	80,546	3,506	-	318,830
Transfers between segments	52,828	276,956	(173,166)	139,350	(537,047)	34,308	169,419	37,352	-
	899,931	1,519,893	746,992	999,969	453,443	293,458	736,855	1,805,526	7,456,067
Excess (deficiency) of revenue over expenses	\$ 405,450	\$ (1,200)	\$ (192,150)	\$ (12,545)	\$ 224,855	\$ 434,635	\$ (13,728)	\$ 13,339,372	\$ 14,184,689

The notes are an integral part of these financial statements.

