

Consolidated Financial Statements of

HENVEY INLET FIRST NATION

And Independent Auditors' Report thereon

Year ended March 31, 2019

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Consolidated financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the consolidated financial statements are presented fairly, in all material respects.

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

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

The Chief and Council review the First Nation's consolidated financial statements and 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 issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the consolidated financial statements and the external auditors' report. The Chief and Council take 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. KPMG LLP has full access to the First Nation.





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INDEPENDENT AUDITORS' REPORT

To the Members of Henvey Inlet First Nation

Opinion

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

- the consolidated statement of financial position as at March 31, 2019
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and the notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements")

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the First Nation as at March 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board (PSAB).

Basis for Opinion

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

We are independent of the First Nation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

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



Responsibility of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board (PSAB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, internal omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the First Nation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



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

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada
September 23, 2019

HENVEY INLET FIRST NATION

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Year ended March 31, 2019

Financial Statements

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HENVEY INLET FIRST NATION


Exhibit A - Consolidated Statement of Financial Position

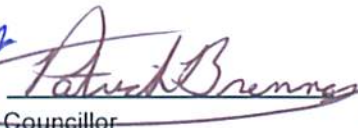
March 31, 2019, with comparative information for 2018


	2019	2018
Financial assets		
Cash	\$ 14,054,328	\$ 7,702,335
Restricted cash (note 2)	111,594	109,290
Accounts receivable	3,020,044	1,540,330
Consolidated revenue fund	90,573	90,572
Investments in Government Business Enterprises (note 3)	23,906,234	60,462,613
Investment in Government Business Partnerships (note 4)	3,025,002	3,145,121
Restricted assets - Henvey Inlet First Nation Key Harbour Settlement Trust (note 5)	2,643,010	2,394,641
	46,850,785	75,444,902
Financial liabilities		
Accounts payable and accrued liabilities	2,022,722	1,340,901
Deferred revenue (note 7)	867,371	444,693
Long-term debt (note 8)	1,230,373	1,361,110
	4,120,466	3,146,704
Net assets	42,730,319	72,298,198
Non-financial assets		
Tangible capital assets (note 6)	14,799,609	12,450,055
Prepaid expenses	26,807	921,631
Inventory	16,372	20,249
	14,842,788	13,391,935
Accumulated surplus (note 9)	\$ 57,573,107	\$ 85,690,133


See accompanying notes to consolidated financial statements.

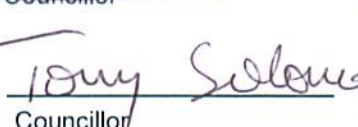
On behalf of the First Nation:



 Chief

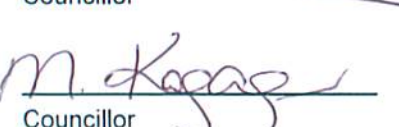

 Councillor


 Councillor


 Councillor


 Councillor


 Councillor


 Councillor

HENVEY INLET FIRST NATION

Exhibit B - Consolidated Statement of Operations and Accumulated Surplus

Year ended March 31, 2019, with comparative information for 2018

	2019 Budget (note 13)	2019 Actual	2018 Actual
Revenue:			
Federal funding	\$ 3,086,484	\$ 2,676,822	\$ 10,198,868
Provincial funding	503,234	819,889	1,333,281
Grants and other subsidies	-	427,462	453,621
Kinoomaadziwin Education Body	-	1,213,254	23,500
Other	2,086,201	3,815,563	2,611,914
	5,675,919	8,952,990	14,621,184
Expenses:			
Band Government	887,166	1,013,561	797,786
Social Assistance	132,487	372,725	489,073
Education	1,237,104	1,271,948	1,061,383
Community Infrastructure	767,340	990,835	785,882
Health Services - Patient Transportation	97,849	99,849	90,017
Health Services - Other	630,201	1,145,933	975,870
Community Services	399,416	1,033,742	650,834
Employment and Economic Development	764,792	3,211,057	2,115,205
Day Care	670,375	228,820	237,513
Band Housing	40,596	66,186	156,577
Social Housing	309,999	234,995	195,116
Gas Bar	2,659	716,469	655,608
Henvey Inlet First Nation Key Harbour Settlement Trust	-	54,398	2,885,095
	5,939,984	10,440,518	11,095,959
Excess (deficiency) of revenue over expenses before undernoted items	(264,065)	(1,487,528)	3,525,225
Other income (loss) (note 10):			
Share income (loss) from Government Business Enterprises	-	(26,556,379)	72,986,843
Share income (loss) from Government Business Partnerships	-	(73,119)	76,757
	-	(26,629,498)	73,063,600
Excess (deficiency) of revenue over expenses	(264,065)	(28,117,026)	76,588,825
Accumulated surplus, beginning of year	85,690,133	85,690,133	9,101,308
Accumulated surplus, end of year	\$ 85,426,068	\$ 57,573,107	\$ 85,690,133

See accompanying notes to consolidated financial statements.

HENVEY INLET FIRST NATION

Exhibit C - Consolidated Statement of Changes in Net Assets

Year ended March 31, 2019, with comparative information for 2018

	2019 Budget (note 13)	2019 Actual	2018 Actual
Excess (deficiency) of revenue over expenses	\$ (264,065)	\$ (28,117,026)	\$ 76,588,825
Acquisition of tangible capital assets	-	(2,977,319)	(2,320,245)
Amortization of capital assets	619,784	619,784	523,609
Loss on disposal of tangible capital assets	-	2,981	143,408
Proceeds on sale of tangible capital assets	-	5,000	-
	355,719	(30,466,580)	74,935,597
Use (acquisition) of prepaid expenses	-	894,824	(889,309)
Acquisition of inventory	-	3,877	(6,136)
Change in net assets (debt)	355,719	(29,567,879)	74,040,152
Net assets (debt), beginning of year	72,298,198	72,298,198	(1,741,954)
Net assets, end of year	\$ 72,653,917	\$ 42,730,319	\$ 72,298,198

See accompanying notes to consolidated financial statements.

HENVEY INLET FIRST NATION

Exhibit D - Consolidated Statement of Cash Flows

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Cash flows from operating activities:		
Excess (deficiency) of revenue over expenses	\$ (28,117,026)	\$ 76,588,825
Adjustment for:		
Amortization of tangible capital assets	619,784	523,609
Loss on disposal of tangible capital assets	2,981	143,408
Share of loss (earnings) from Government Business Enterprises and Partnerships	26,629,498	(73,063,600)
	(864,763)	4,192,242
Cash flows from operating activities:		
Increase in accounts receivable	(1,479,714)	(949,720)
Decrease (increase) in inventory	3,877	(6,136)
Increase (decrease) in accounts payable and accrued liabilities	681,821	538,904
Increase in deferred revenue	422,678	21,397
Decrease (increase) in prepaid expenses	894,824	(889,309)
	(341,277)	2,907,378
Cash flows from capital activities:		
Proceeds on disposal of tangible capital assets	5,000	-
Acquisition of tangible capital assets	(2,977,319)	(2,320,245)
	(2,972,319)	(2,320,245)
Cash flows from financing activities:		
Proceeds from long-term debt	40,000	-
Principal payments on long-term debt	(170,737)	(696,547)
	(130,737)	(696,547)
Cash flows from investing activities:		
Investment in Government Business Partnerships	-	(2,586,721)
Increase in Henvey Inlet First Nation Key Harbour Settlement Trust	(248,370)	(2,394,641)
Dividends from Government Business Enterprises and Partnerships	10,047,000	12,547,231
	9,798,630	7,565,869
Net increase in cash	6,354,297	7,456,455
Cash, beginning of year	7,811,625	355,170
Cash, end of year	\$ 14,165,922	\$ 7,811,625
Cash is represented by:		
Cash	\$ 14,054,328	\$ 7,702,335
Restricted cash	111,594	109,290
	\$ 14,165,922	\$ 7,811,625

See accompanying notes to consolidated financial statements.

HENVEY INLET FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2019

Henvey Inlet First Nation (the “First Nation”) located in the Parry Sound district administers programs and provides services on behalf of its members.

1. Significant accounting policies:

These consolidated financial statements of 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 financial statements:

(a) Reporting entity:

(i) Consolidated entities:

These consolidated financial statements reflect the assets, liabilities, revenue and expenses of the reporting entity. The reporting entity is comprised of all organizations accountable for the administration of their financial affairs and resources to the First Nation and are owned and controlled by the First Nation.

Organizations consolidated in these financial statements include Henvey Inlet First Nation Key Harbour Settlement Trust.

All interdepartmental and inter-organizational assets, liabilities, revenues and expenses have been eliminated

(ii) Investment in Government Business Enterprises

Government Business Enterprises are accounted for using the modified equity method. Government Business Enterprises include the following organizations:

- Pickerel Contracting Ltd. (“PCL”)
- Nigig Power Corporation (“NPC”)

Under the modified equity method, the business enterprise’s accounting principles are not adjusted to conform with those of the First Nation and inter-organizational transactions and balances are not eliminated.

(iii) Investment in Government Business Partnerships

Government Business Partnerships are accounted for using the modified equity method and include the following organizations:

- Shwe Miikaan Corp and Shwe Miikaan Limited Partnership (together “SMLP”)
- HIW Property Holdings LP and HIW Property Holdings GP (“HIWP”)

Under the modified equity method, the business partnership’s accounting principles are not adjusted to conform with those of the First Nation and inter-organizational transactions and balances are not eliminated.

HENVEY INLET FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2019

1. Significant accounting policies (continued):

(b) Revenue recognition:

Revenue is recognized as it becomes receivable under the terms of applicable funding agreements. Funding received under the funding arrangements which relates to a subsequent fiscal period is reflected as deferred revenue on the statement of financial position.

(c) 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. These adjustments are charged to operations in the year during which the adjustments become known.

(d) Non-financial assets:

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

(i) Tangible capital assets:

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

Asset	Useful Life in Years
Land improvements	10 - 30
Buildings and building improvements	10 - 40
Vehicles	5
Machinery and equipment	10
Furniture, computers, and fixtures	4 - 10
Water and wastewater infrastructure	10 - 50
Roads infrastructure	75

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

(ii) Inventories:

Inventories are stated at the lower of cost and net realizable value. Cost is generally determined on the first-in and first-out basis.

(e) Ottawa trust funds:

The Ottawa Trust Funds are held in trust by the Government of Canada and are included on the statement of financial position.

(f) Investments:

Investments are recorded at cost less any amounts written off to reflect a permanent decline in value.

HENVEY INLET FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2019

1. Significant accounting policies (continued):

(g) Use of estimates:

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. Significant items subject to such estimates and assumptions include the carrying value of capital assets and valuation allowances for receivables. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

2. Restricted cash:

In accordance with the operating agreements between the First Nation and Canada Mortgage and Housing Corporation ("CMHC"), cash in the amount of \$111,594 (2018 - \$109,290) is restricted for this purpose. Under the agreement, the First Nation is required to set aside funding to maintain a replacement reserve bank account. As of fiscal year end, this First Nation is required to have set aside \$99,537 (2018 - \$82,499).

3. Investments in Government Business Enterprises:

PCL and NPC are wholly owned and controlled by the First Nation. These organizations are business enterprises of the First Nation and are accounted for on a modified equity basis in these consolidated financial statements.

The investments in Government Business Enterprises consists of the following:

	PCL	NPC	2019	2018
Balance, at beginning of year	\$ 1	60,462,612	\$ 60,462,613	\$ 1
Dividends and distributions	–	(10,000,000)	(10,000,000)	(12,524,231)
Share of earnings (loss)	(64,718)	(26,556,379)	(26,621,097)	74,260,677
Provision for impairment	64,718	–	64,718	(1,273,834)
Balance, end of year	\$ 1	23,906,233	\$ 23,906,234	\$ 60,462,613

HENVEY INLET FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2019

3. Investments in Government Business Enterprises (continued):

The following tables provide condensed supplementary financial information for the year ended March 31, 2019:

	PCL	NPC	2019	2018
Financial position:				
Current assets	\$ 1,327,060	1,232,419	\$ 2,559,479	\$ 16,749,512
Other assets	107	95,425,049	95,425,156	54,268,216
Total assets	1,327,167	96,657,468	97,984,635	71,017,728
Liabilities	1,437,339	72,751,234	74,188,573	5,416,570
Net position	\$ (110,172)	23,906,234	\$ 23,796,062	\$ 65,601,158

	PCL	NPC	2019	2018
Results of operations :				
Revenue	\$ 460,684	8,750	\$ 425,229	\$ 94,372,324
Expenses	525,402	7,760,508	8,285,910	12,590,149
Share of equity loss in joint venture	—	18,804,621	18,804,621	7,514,877
	525,402	26,565,129	27,090,531	20,105,026
Net income (loss)	\$ (64,718)	(26,556,379)	\$ (26,665,302)	\$ 74,267,298

4. Investment in Government Business Partnerships:

The First Nation has a 33.33% equity interest in SMLP and a 50.00% equity interest in HIWP. These organizations are government business partnerships of the First Nation and are accounted for on the modified equity method in these consolidated financial statements.

The investment in Government Business Partnerships consists of the following:

	SMLP	HIWP	2019	2018
Balance, at beginning of year	\$ 547,900	2,597,221	\$ 3,145,121	\$ 504,643
Contributions	—	—	—	2,586,721
Distributions	(47,000)	—	(47,000)	(23,000)
Share of earnings (loss)	(58,703)	(16,500)	(75,203)	76,757
Provision for impairment	2,084	—	2,084	—
Balance, end of year	\$ 444,281	2,580,721	\$ 3,025,002	\$ 3,145,121

HENVEY INLET FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2019

4. Investment in Government Business Partnerships (continued):

The following tables provide condensed supplementary financial information for the year ended March 31, 2019:

	SMLP	HIWP	2019	2018
Financial Position:				
Current assets	\$ 1,200,993	157,000	\$ 2,274,429	\$ 1,718,851
Other assets	45,602	5,021,000	100,446,156	5,086,348
Total assets	1,246,595	5,178,000	102,720,585	6,805,199
Liabilities	89,384	15,000	73,805,728	109,811
Net position	\$ 1,157,211	5,163,000	\$ 28,914,857	\$ 6,695,388

	SMLP	HIWP	2019	2018
Results of operations:				
Revenue	\$ 512,773	14,000	\$ 14,000	\$ 896,386
Expenses	688,883	47,000	47,000	676,472
Net income (loss)	\$ (176,110)	(33,000)	\$ (33,000)	\$ 219,914

5. Restricted assets – Henvey Inlet First Nation Key Harbour Settlement Trust:

Restricted assets – Henvey Inlet First Nation Key Harbour Settlement Trust consists of the following:

2019	Cost	Fair Market Value
Cash	\$ 99,095	\$ 99,095
Canadian fixed income	1,298,408	1,343,167
Canadian equities	574,765	589,929
Foreign equities	670,742	751,559
	\$ 2,643,010	\$ 2,783,750

2018	Cost	Fair Market Value
Cash	\$ 6,394	\$ 6,394
Canadian fixed income	1,037,002	1,044,238
Canadian equities	490,912	499,207
Foreign equities	860,333	861,874
	\$ 2,394,641	\$ 2,411,713

HENVEY INLET FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2019

6. Tangible capital assets:

Cost	Balance at March 31, 2018	Additions	Adjustments and Transfers	Disposals	Balance at March 31, 2019
Land improvements	\$ 601,975	-	-	-	601,975
Buildings	6,642,127	1,719,508	1,352,583	-	9,714,218
Roads infrastructure	1,465,066	-	-	-	1,465,066
Machinery and equipment	1,890,825	563,743	-	(11,400)	2,443,168
Furniture, computers and fixtures	243,046	-	-	-	243,046
Water infrastructure	5,342,409	-	-	-	5,342,409
Assets under construction	1,352,583	694,068	(1,352,583)	-	694,068
Total	\$ 17,538,031	2,977,319	-	(11,400)	20,503,950
Accumulated Amortization	Balance at March 31, 2018	Disposals	Adjustments and Transfers	Amortization	Balance at March 31, 2019
Land improvements	\$ 138,518	-	-	17,775	156,293
Buildings	2,145,873	-	-	217,321	2,363,194
Roads infrastructure	492,291	-	-	21,516	513,807
Machinery and equipment	730,127	(3,420)	-	210,389	937,096
Furniture, computers and fixtures	114,707	-	-	30,856	145,563
Water infrastructure	1,466,460	-	-	-	1,466,460
Assets under construction	-	-	-	121,928	121,928
Total	\$ 5,087,976	(3,420)	-	619,785	5,704,341
	Net book value, March 31, 2018				Net book value, March 31, 2019
Land improvements	\$ 463,457				445,682
Buildings	4,496,254				7,351,024
Roads infrastructure	972,775				951,259
Machinery and equipment	1,160,698				1,506,072
Furniture, computers and fixtures	128,339				97,483
Water infrastructure	3,875,949				3,875,949
Assets under construction	1,352,583				572,140
Total	\$ 12,450,055				14,799,609

HENVEY INLET FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2019

6. Tangible capital assets (continued):

Cost	Balance at March 31, 2017	Additions	Disposals	Balance at March 31, 2018
Land improvements	\$ 601,975	-	-	601,975
Buildings	6,905,089	82,038	(345,000)	6,642,127
Roads infrastructure	1,465,066	-	-	1,465,066
Machinery and equipment	1,173,675	775,650	(58,500)	1,890,825
Furniture, computers and fixtures	133,072	109,974	-	243,046
Water infrastructure	5,342,409	-	-	5,342,409
Assets under construction	-	1,352,583	-	1,352,583
Total	\$ 15,621,286	2,320,245	(403,500)	17,538,031

Accumulated Amortization	Balance at March 31, 2017	Disposals	Amortization	Balance at March 31, 2018
Land improvements	\$ 120,539	-	17,979	138,518
Buildings	2,197,437	(222,770)	171,206	2,145,873
Roads infrastructure	470,775	-	21,516	492,291
Machinery and equipment	604,762	(37,322)	162,687	730,127
Furniture, computers and fixtures	96,544	-	18,163	114,707
Water infrastructure	1,334,402	-	132,058	1,466,460
Assets under construction	-	-	-	-
Total	\$ 4,824,459	(260,092)	523,609	5,087,976

	Net book value, March 31, 2017	Net book value, March 31, 2018
Land improvements	\$ 481,436	463,457
Buildings	4,707,652	4,496,254
Roads infrastructure	994,291	972,775
Machinery and equipment	568,913	1,160,698
Furniture, computers and fixtures	36,528	128,339
Water infrastructure	4,008,007	3,875,949
Assets under construction	-	1,352,583
Total	\$ 10,796,827	12,450,055

HENVEY INLET FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2019

7. Deferred revenue:

	2019	2018
Indigenous Services Canada	\$ 364,228	\$ 266,550
Health Canada	186,311	121,428
Kinoomaadziwin Education Body	149,608	—
Trailer park fees	67,270	40,070
Union of Ontario Indians	58,087	—
Other	41,867	16,645
	<u>\$ 867,371</u>	<u>\$ 444,693</u>

8. Long-term debt:

The details of the long-term debt are as follows:

	2019	2018
Canada Mortgage and Housing Corporation mortgage payable \$1,875 monthly including principal and interest, bearing interest at 1.97% per annum, due April 1, 2019	\$ 1,871	\$ 24,097
Canada Mortgage and Housing Corporation mortgage payable \$1,710 monthly including principal and interest, bearing interest at 2.50 % per annum, due May 1, 2028	167,999	184,296
Canada Mortgage and Housing Corporation mortgage payable \$2,406 monthly including principal and interest, bearing interest at 1.85% per annum, due August 1, 2034	387,208	408,729
Canada Mortgage and Housing Corporation mortgage payable \$1,189 monthly including principal and interest, bearing interest at 1.03% per annum, due October 1, 2036	229,400	241,243
Canada Mortgage and Housing Corporation mortgage payable \$1,519 monthly including principal and interest, bearing interest at 2.06% per annum, due November 1, 2037	282,562	294,862
Canada Mortgage and Housing Corporation mortgage payable \$742 monthly including principal and interest, bearing interest at 2.48% per annum, due August 1, 2043	161,333	123,562
Royal Bank mortgage payable \$2,377 monthly including principal and interest, bearing interest at 5.47% per annum, maturing June 8, 2017	—	71,936
Royal Bank loan \$3,129 monthly, including principal and interest, bearing interest at 5.08% per annum, maturing July 2018	—	12,385
	<u>\$ 1,230,373</u>	<u>\$ 1,361,110</u>

HENVEY INLET FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2019

8. Long-term debt (continued):

Principal repayments due are estimated as follows:

2020	\$ 69,805
2021	69,260
2022	70,618
2023	72,002
2024	73,416
Thereafter	875,272

9. Accumulated surplus:

	2019	2018
Surplus:		
Invested in tangible capital assets	\$ 13,580,635	\$ 11,088,945
Operating	13,746,113	6,460,697
Environmental commissioning	(944,845)	–
Land claim	75,446	75,446
Unfinanced CMHC capital	(73,012)	(113,012)
	26,384,337	17,512,076
Reserves:		
Reserve funds set aside for specific purpose by Council	2,075,887	2,382,750
Committed reserves	208,945	208,945
	2,284,832	2,591,695
Government Business Enterprises and Partnerships:		
Nigig Power Corporation	23,906,233	60,462,612
Pickerel Contracting Ltd	1	1
HIW Property Holdings Partnership	2,580,721	2,597,221
Shwe Miikaan Limited Partnership	444,281	547,900
	26,931,236	63,607,734
Henvey Inlet First Nation Key Harbour Settlement Trust	1,972,702	1,978,628
	\$ 57,573,107	\$ 85,690,133

HENVEY INLET FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2019

10. Gross revenues and expenses:

	2019	2018
Revenues:		
Revenue per consolidated statement of operations and accumulated surplus	\$ 8,952,990	\$ 14,621,184
Share of income from Government Business Enterprises	–	72,986,843
Share of income from Government Business Partnerships	–	76,757
Gross revenues	\$ 8,952,990	\$ 87,684,784
Expenses:		
Expenses per consolidated statement of operations and accumulated surplus	\$ 10,440,518	\$ 11,095,959
Share of loss from Government Business Enterprises	26,556,379	–
Share of loss from Government Business Partnerships	73,119	–
Gross expenses	\$ 37,070,016	\$ 11,095,459

11. Contingent liabilities:

- (a) The First Nation has endorsed CMHC loans made to various members under the Rural Rehabilitation Assistance Program and is contingently liable.
- (b) During the year the First Nation was jointly named, with NPC, as a defendant in a breach of contract and unjust enrichment legal claim where the plaintiff is seeking damages of \$173,197,700 relating to undertakings by the plaintiff on behalf of NPC. The results of this claim are not determinable.
- In addition, the First Nation jointly signed an indemnity agreement (the "Indemnity") with NPC, whereby both parties indemnified the Henvey Wind Partnership (the "Partnership") from all costs, charges, losses, damages, fees and liabilities associated with the legal claim. In consideration of the Indemnity, that Partnership has held \$7,000,000 owing to NPC.
- (c) The First Nation is contingently liable for loan guarantees to various chartered banks in favour of individual Band members. The guarantees total \$251,106 (2018 - \$249,501) and the principle outstanding on the loans as of the consolidated financial statement date is \$251,106 (2018 - \$249,501).

12. Comparative information:

Certain 2018 comparative figures have been reclassified to conform to the presentation adopted in 2019.

HENVEY INLET FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2019

13. Budget figures:

The budget data presented in these consolidated financial statements is based upon the operating and capital budgets approved by Council. The reconciliation of the approved budget to the budget figures reported on these consolidated financial statements is listed below:

	2019
Approved revenue budget:	
Total revenues per budget	\$ 5,675,919
Revenue budget per financial statements	\$ 5,675,919
Approved expense budget:	
Total expenses per budget	\$ 5,320,200
Add:	
Amortization of tangible capital assets	619,784
Expense budget per financial statements	\$ 5,939,984

14. Segmented information:

Henvey Inlet First Nation is a diversified governmental institution that provides a wide range of services to its band members, including band support, health services, education, social assistance, and community property. 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:

Band Support

The band support department oversees the delivery of all governmental services. The department is responsible for ensuring that there are adequate policies and procedures in place to safeguard assets and to properly report financial activities. In addition, this department includes the governance activities of chief and council, administering the Henvey Inlet First Nation Key Harbour Settlement Trust, administering community services, economic development initiatives, management of the trailer park, management of the gas bar and assistance for computer and communications related projects and services.

Health Services

The health services department provides a diverse bundle of services directed toward the well-being of the members of the member First Nations including such activities as long-term care, health centers, diabetes, fetal alcohol syndrome, mental health, smoke free programs, traditional healing, and training designed to enhance the health of member communities.

HENVEY INLET FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2019

14. Segmented information (continued):

Education

The education department provides education management services to the member First Nations as well as overseeing various small incentives on behalf of the communities.

Social Assistance

The social assistance department provides services under the Provincial Ontario Works Program including both active measures such as employment training and financial assistance components.

Community Property

The community property department provides services for the longevity of the First Nation by the acquisition, development, and maintenance of land resources, equipment, roads and housing.

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

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

Community Property

The community property department provides services for the longevity of the First Nation by the acquisition, development, and maintenance of land resources, equipment, roads and housing.

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

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

HENVEY INLET FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2019

14. Segmented information (continued):

	General/Band Support	Health	Education	Social Assistance	Community Property	Government Business Enterprises	Government Business Partnerships	2019 Total
Revenue	\$ 5,027,593	1,149,289	1,242,699	371,479	1,161,930	-	-	8,952,990
Expenses:								
Salaries and benefits	1,110,850	445,013	175,504	46,470	47,852	-	-	1,825,689
Material supplies and subcontracts	276,125	172,896	72,043	38,653	554,594	-	-	1,114,311
Professional fees	3,513,035	12,232	4,891	-	10,627	-	-	3,540,785
Interest on long-term debt	5,085	-	132	-	23,303	-	-	28,520
Provincial Schools tuition	-	-	758,118	-	-	-	-	758,118
Other	846,644	563,725	244,711	287,602	610,629	-	-	2,553,311
Amortization of tangible capital assets	127,804	51,915	16,548	-	423,517	-	-	619,784
	5,879,543	1,245,781	1,271,947	372,725	1,670,522	-	-	10,440,518
Other income (loss)	-	-	-	-	-	(26,556,379)	(73,119)	(26,629,498)
Deficiency of revenue over expenses	\$ (851,950)	(96,492)	(29,248)	(1,246)	(508,592)	(26,556,379)	(73,119)	(28,117,026)

HENVEY INLET FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2019

14. Segmented information (continued):

	General/Band Support	Health	Education	Social Assistance	Community Property	Government Business Enterprises	Government Business Partnerships	2018 Total
Revenue	\$ 9,947,685	1,022,552	1,295,209	487,071	1,868,667	-	-	14,621,184
Expenses:								
Salaries and benefits	1,135,149	357,726	93,305	50,023	67,714	-	-	1,703,917
Material supplies and subcontracts	1,363,340	182,094	-	39,887	658,656	-	-	2,243,977
Professional fees	1,378,389	12,877	-	-	10,510	-	-	1,401,776
Interest on long-term debt	3,714	-	2,171	-	19,740	-	-	25,625
Provincial Schools tuition	-	-	350,190	-	-	-	-	350,190
Other	3,148,262	470,600	582,617	399,163	246,224	-	-	4,846,866
Amortization of tangible capital assets	107,732	42,588	33,096	-	340,192	-	-	523,608
	7,136,586	1,065,885	1,061,379	489,073	1,343,036	-	-	11,095,959
Other income (loss)	-	-	-	-	-	72,986,843	76,757	73,063,600
Excess (deficiency) of revenue over expenses	\$ 2,811,099	(43,333)	233,830	(2,002)	525,631	72,986,843	76,757	76,588,825