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PRIVATE AND CONFIDENTIAL
Indigenous Services Canada
100 Anemki Place, Suite 101
Fort William First Nation, ON P7J 1A5

December 14, 2020

Dear Sir or Madam:

Henvey Inlet First Nation

At the request of our client, Henvey Inlet First Nation, we are submitting the following items regarding the March 31, 2020 year-end, which comply with terms of the FNFTA, and can be made available on your internet site:

- Audited Financial Statements
- Schedule of Remuneration and Expenses – Chief & Council

The following additional required reporting documents will not be published and are for your internal purposes only:

- Schedule of Remuneration and Expenses – Unelected Senior Officials
- Revenues and Expenses – Indigenous Services Canada

We trust this is satisfactory. Should you have any questions or require any additional information, please do not hesitate to contact our office.

Yours very truly

A handwritten signature in blue ink, appearing to read 'Kyle Ellis'.

Kyle Ellis, CPA, CA, CBV
Partner

/lb

Enclosures:

Consolidated Financial Statements of

HENVEY INLET FIRST NATION

And Independent Auditors' Report thereon

Year ended March 31, 2020

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.

Maloyne McQuarrie

Myrna Powis



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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, 2020
- 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 and schedules 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, 2020, 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada

December 10, 2020

HENVEY INLET FIRST NATION

Index to Consolidated Financial Statements

Year ended March 31, 2020

Financial Statements

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HENVEY INLET FIRST NATION

Exhibit A - Consolidated Statement of Financial Position

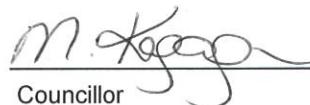
March 31, 2020, with comparative information for 2019

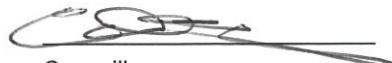
	2020	2019
Financial assets		
Cash	\$ 10,007,672	\$ 14,054,328
Restricted cash (note 2)	85,365	111,594
Accounts receivable	5,967,444	3,020,044
Consolidated revenue fund	90,573	90,573
Investment in Government Business Enterprise (note 3)	1	23,906,234
Investment in Government Business Partnerships (note 4)	2,863,391	3,025,002
Restricted assets - Henvey Inlet First Nation Key Harbour Settlement Trust (note 5)	2,606,704	2,643,010
	<u>21,621,150</u>	<u>46,850,785</u>
Financial liabilities		
Accounts payable and accrued liabilities	2,566,549	2,022,722
Deferred revenue (note 7)	906,255	867,371
Long-term debt (note 8)	1,162,410	1,230,373
	<u>4,635,214</u>	<u>4,120,466</u>
Net assets	16,985,936	42,730,319
Non-financial assets		
Tangible capital assets (note 6)	18,893,373	14,799,609
Prepaid expenses	23,030	26,807
Inventory	12,331	16,372
	<u>18,928,734</u>	<u>14,842,788</u>
Effects of COVID-19 (note 14)		
Subsequent events (note 15)		
Accumulated surplus (note 9)	\$ 35,914,670	\$ 57,573,107

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, 2020, with comparative information for 2019

	2020 Budget	2020 Actual	2019 Actual
(note 13)			
Revenue:			
Federal funding	\$ 3,801,947	\$ 3,003,691	\$ 2,676,822
Provincial funding	628,724	993,180	819,889
Grants and other subsidies	-	322,122	427,462
Kinoomaadziwin Education Body	-	1,246,233	1,213,254
Henvey Inlet Wind LP	-	4,355,687	-
Pattern Renewable Energy	-	1,897,175	-
Other	2,758,619	2,496,979	3,815,563
	7,189,290	14,315,067	8,952,990
Expenses:			
Band Government	1,419,019	1,136,599	1,013,561
Social Assistance	118,139	410,734	372,725
Education	1,220,556	1,311,877	1,271,948
Community Infrastructure	1,335,028	1,590,142	990,835
Health Services - Patient Transportation	161,709	106,738	99,849
Health Services - Other	1,160,703	1,531,645	1,145,933
Community Services	619,029	1,111,302	1,033,742
Employment, Economic & Environment Development	889,318	2,954,436	3,211,057
Day Care	293,590	324,835	228,820
Band Housing	87,928	149,402	66,186
Social Housing	334,509	212,576	234,995
Gas Bar	2,968	783,034	716,469
Pickerel Contracting Limited	-	214,192	-
Henvey Inlet First Nation Key Harbour Settlement Trust	-	68,149	54,398
	7,642,496	11,905,661	10,440,518
Excess (deficiency) of revenue over expenses before undernoted items	(453,206)	2,409,406	(1,487,528)
Other income (loss) (note 10):			
Share of loss from Government Business Enterprise	-	(23,906,232)	(26,556,379)
Share of loss from Government Business Partnerships	-	(161,611)	(73,119)
	-	(24,067,843)	(26,629,498)
Deficiency of revenue over expenses	(453,206)	(21,658,437)	(28,117,026)
Accumulated surplus, beginning of year	57,573,107	57,573,107	85,690,133
Accumulated surplus, end of year	\$ 57,119,901	\$ 35,914,670	\$ 57,573,107

See accompanying notes to consolidated financial statements.

HENVEY INLET FIRST NATION

Exhibit C - Consolidated Statement of Changes in Net Assets

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

	2020 Budget	2020 Actual	2019 Actual
(note 13)			
Deficiency of revenue over expenses	\$ (453,206)	\$ (21,658,437)	\$ (28,117,026)
Acquisition of tangible capital assets	(4,922,414)	(4,922,414)	(2,977,319)
Amortization of capital assets	828,483	828,483	619,784
Loss on disposal of tangible capital assets	-	167	2,981
Proceeds on sale of tangible capital assets	-	-	5,000
	(4,547,137)	(25,752,201)	(30,466,580)
Use of prepaid expenses	-	3,777	894,824
Use of inventory	-	4,041	3,877
Change in net debt	(4,547,137)	(25,744,383)	(29,567,879)
Net assets, beginning of year	42,730,319	42,730,319	72,298,198
Net assets, end of year	\$ 38,183,182	\$ 16,985,936	\$ 42,730,319

See accompanying notes to consolidated financial statements.

HENVEY INLET FIRST NATION

Exhibit D - Consolidated Statement of Cash Flows

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

	2020	2019
Cash flows from operating activities:		
Deficiency of revenue over expenses	\$ (21,658,437)	\$ (28,117,026)
Adjustment for:		
Amortization of tangible capital assets	828,483	619,784
Loss on disposal of tangible capital assets	167	2,981
Share of loss from Government Business Enterprises and Partnerships	<u>24,067,843</u>	<u>26,629,498</u>
	3,238,056	(864,763)
Cash flows from operating activities:		
Increase in accounts receivable	(2,947,399)	(1,479,714)
Decrease in inventory	4,041	3,877
Increase in accounts payable and accrued liabilities	543,827	681,821
Increase in deferred revenue	38,884	422,678
Decrease in prepaid expenses	<u>3,777</u>	<u>894,824</u>
	881,186	(341,277)
Cash flows from capital activities:		
Proceeds on disposal of tangible capital assets	-	5,000
Acquisition of tangible capital assets	<u>(4,922,414)</u>	<u>(2,977,319)</u>
	(4,922,414)	(2,972,319)
Cash flows from financing activities:		
Proceeds from long-term debt	-	40,000
Principal payments on long-term debt	<u>(67,963)</u>	<u>(170,737)</u>
	(67,963)	(130,737)
Cash flows from investing activities:		
Increase (decrease) in Henvey Inlet First Nation Key Harbour Settlement Trust	36,306	(248,370)
Dividends from Government Business Enterprise and Partnerships	<u>-</u>	<u>10,047,000</u>
	36,306	9,798,630
Net increase (decrease) in cash	(4,072,885)	6,354,297
Cash, beginning of year	14,165,922	7,811,625
Cash, end of year	\$ 10,093,037	\$ 14,165,922
Cash is represented by:		
Cash	\$ 10,007,672	\$ 14,054,328
Restricted cash	85,365	111,594
	<u>\$ 10,093,037</u>	<u>\$ 14,165,922</u>

See accompanying notes to consolidated financial statements.

HENVEY INLET FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2020

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 and Pickerel Contracting Limited (“PCL”).

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

(ii) Investment in Government Business Enterprise:

Government Business Enterprise is accounted for using the modified equity method. The Government Business Enterprise includes 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, 2020

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, 2020

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 \$85,365 (2019 - \$111,594) 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 \$95,846 (2019 - \$99,537).

3. Investments in Government Business Enterprise:

NPC is wholly owned and controlled by the First Nation. This organization is a government business enterprise of the First Nation and is accounted for on a modified equity basis in these consolidated financial statements.

In the prior year, PCL met the definition of a government business enterprise. In the current year, PCL no longer met the definition of a government business enterprise as a result is now consolidated into these consolidated financial statements on a line-by-line basis, eliminating inter-government balances.

The investment in Government Business Enterprise consists of the following:

	2020	2019
Balance, at beginning of year	\$ 23,906,234	\$ 60,462,613
Dividends and distributions	—	(10,000,000)
Share of earnings (loss)	(32,799,779)	(26,621,097)
Provision for impairment	8,893,546	64,718
Balance, end of year	\$ 1	\$ 23,906,234

HENVEY INLET FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2020

3. Investment in Government Business Enterprise (continued):

The following tables provide condensed supplementary financial information for the year ended March 31, 2020:

	2020	2019
Financial position:		
Current assets	\$ 247,110	\$ 2,559,479
Other assets	108,228,713	95,425,156
<u>Total assets</u>	<u>108,475,823</u>	<u>97,984,635</u>
Liabilities	117,282,190	74,188,573
<u>Net assets (liabilities)</u>	<u>\$ (8,806,367)</u>	<u>\$ 23,796,062</u>

	2020	2019
Results of operations:		
Revenue	\$ 8,400	\$ 425,229
Expenses	10,603,179	8,285,910
Share of equity loss in joint venture	22,205,000	18,804,621
	32,808,179	27,090,531
<u>Net loss</u>	<u>\$ (32,799,779)</u>	<u>\$ (26,665,302)</u>

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	2020	2019
Balance, at beginning of year	\$ 444,281	\$ 2,580,721	\$ 3,025,002	\$ 3,145,121
Distributions	—	—	—	(47,000)
Share of loss	(119,111)	(42,500)	(161,611)	(75,203)
Provision for impairment	—	—	—	2,084
<u>Balance, end of year</u>	<u>\$ 325,170</u>	<u>\$ 2,538,221</u>	<u>\$ 2,863,391</u>	<u>\$ 3,025,002</u>

HENVEY INLET FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2020

4. Investment in Government Business Partnerships (continued):

The following tables provide condensed supplementary financial information for the year ended March 31, 2020:

	SMLP	HIWP	2020	2019
Financial Position:				
Current assets	\$ 680,896	\$ 75,000	\$ 755,896	\$ 2,274,429
Other assets	588,476	5,021,000	5,609,476	100,446,156
Total assets	1,269,372	5,096,000	6,365,372	102,720,585
Liabilities	471,832	18,000	489,832	73,805,728
Net position	\$ 797,540	\$ 5,078,000	\$ 5,875,540	\$ 28,914,857

	SMLP	HIWP	2020	2019
Results of operations:				
Revenue	\$ 2,004,863	\$ —	\$ 2,004,863	\$ 14,000
Expenses	2,369,426	85,000	2,454,426	47,000
Net loss	\$ (364,563)	\$ (85,000)	\$ (449,563)	\$ (33,000)

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:

2020	Cost	Fair Market Value
Cash	\$ 91,931	\$ 92,939
Canadian fixed income	1,181,458	1,215,336
Canadian equities	497,009	465,213
Foreign equities	836,306	863,632
	\$ 2,606,704	\$ 2,637,120

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

HENVEY INLET FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2020

6. Tangible capital assets:

Cost	Balance at March 31, 2019	Additions	Adjustments and Transfers	Disposals	Balance at March 31, 2020
Land improvements	\$ 601,975	-	-	-	\$ 601,975
Buildings	9,714,218	349,691	466,046	-	10,529,955
Roads infrastructure	1,465,066	-	-	-	1,465,066
Machinery and equipment	2,443,168	1,904,388	-	-	4,347,556
Furniture, computers and fixtures	243,046	129,849	-	(28,269)	344,626
Water infrastructure	5,342,409	11,300	-	-	5,353,709
Assets under construction	694,068	2,527,186	(466,046)	-	2,755,208
Total	\$ 20,503,950	4,922,414	-	(28,269)	\$ 25,398,095
Accumulated Amortization	Balance at March 31, 2019	Disposals	Adjustments and Transfers	Amortization	Balance at March 31, 2020
Land improvements	\$ 156,293	-	-	17,774	\$ 174,067
Buildings	2,363,194	-	-	275,389	2,638,583
Roads infrastructure	513,807	-	-	20,979	534,786
Machinery and equipment	937,096	-	-	373,847	1,310,943
Furniture, computers and fixtures	145,563	(28,102)	-	17,981	135,442
Water infrastructure	1,588,388	-	-	122,513	1,710,901
Assets under construction	-	-	-	-	-
Total	\$ 5,704,341	(28,102)	-	828,483	\$ 6,504,722
	Net book value, March 31, 2019			Net book value, March 31, 2020	
Land improvements	\$ 445,682			\$ 427,908	
Buildings	7,351,024			7,891,372	
Roads infrastructure	951,259			930,280	
Machinery and equipment	1,506,072			3,036,613	
Furniture, computers and fixtures	97,483			209,184	
Water infrastructure	3,754,021			3,642,808	
Assets under construction	694,068			2,755,208	
Total	\$ 14,799,609			\$ 18,893,373	

HENVEY INLET FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2020

6. Tangible capital assets (continued):

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	-	-	121,928	1,588,388
Assets under construction	-	-	-	-	-
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			3,754,021	
Assets under construction	1,352,583			694,068	
Total	\$ 12,450,055			\$ 14,799,609	

HENVEY INLET FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2020

7. Deferred revenue:

	2020	2019
Indigenous Services Canada	\$ 345,527	\$ 364,228
Kinoomaadziwin Education Body	433,588	149,608
Union of Ontario Indians	58,087	58,087
Ministry of Indigenous Affairs	27,122	—
Trailer park fees	13,520	67,270
Health Canada	—	186,311
Other	28,411	41,867
	<hr/>	<hr/>
	\$ 906,255	\$ 867,371

8. Long-term debt:

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

	2020	2019
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
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	151,485	167,999
Canada Mortgage and Housing Corporation mortgage payable \$2,386 monthly including principal and interest, bearing interest at 1.73% per annum, due August 1, 2034	365,188	387,208
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	217,440	229,400
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	270,020	282,562
Canada Mortgage and Housing Corporation mortgage payable \$742 monthly including principal and interest, bearing interest at 2.48% per annum, due August 1, 2043	158,277	161,333
	<hr/>	<hr/>
	\$ 1,162,410	\$ 1,230,373

Principal repayments due are estimated as follows:

2021	\$ 69,260
2022	70,618
2023	72,003
2024	73,416
2025	74,571
Thereafter	802,542

HENVEY INLET FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2020

9. Accumulated surplus:

	2020	2019
Surplus:		
Invested in tangible capital assets	\$ 17,744,290	\$ 13,580,635
Operating	11,492,168	13,746,113
Environmental commissioning	–	(944,845)
Land claim	75,446	75,446
Unfinanced CMHC capital	(73,012)	(73,012)
	<u>29,238,892</u>	<u>26,384,337</u>
Reserves:		
Reserve funds set aside for specific purpose by Council	1,645,565	2,075,887
Committed reserves	208,945	208,945
	<u>1,854,510</u>	<u>2,284,832</u>
Government Business Enterprises and Partnerships:		
Nigig Power Corporation	1	23,906,233
Pickerel Contracting Ltd	–	1
HIW Property Holdings Partnership	2,538,221	2,580,721
Shwe Miikaan Limited Partnership	325,170	444,281
	<u>2,863,392</u>	<u>26,931,236</u>
Henvey Inlet First Nation Key Harbour Settlement Trust	1,957,876	1,972,702
	<u><u>\$ 35,914,670</u></u>	<u><u>\$ 57,573,107</u></u>

10. Gross revenues and expenses:

	2020	2019
Revenues:		
Revenue per consolidated statement of operations and accumulated surplus	\$ 14,178,871	\$ 8,952,990
Gross revenues	<u>\$ 14,178,871</u>	<u>\$ 8,952,990</u>
Expenses:		
Expenses per consolidated statement of operations and accumulated surplus	\$ 11,928,756	\$ 10,440,518
Share of loss from Government Business Enterprises	23,906,232	26,556,379
Share of loss from Government Business Partnerships	161,611	73,119
Gross expenses	<u>\$ 35,996,599</u>	<u>\$ 37,070,016</u>

HENVEY INLET FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2020

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) The First Nation is 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 \$242,214 (2019 - \$251,106) and the principle outstanding on the loans as of the consolidated financial statement date is \$242,214 (2019 - \$251,106).

12. Comparative information:

Certain 2019 comparative figures have been reclassified to conform to the presentation adopted in 2020.

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:

	2020
Approved revenue budget:	
Total revenues per budget	\$ 7,189,290
Revenue budget per financial statements	\$ 7,189,290
Approved expense budget:	
Total expenses per budget	\$ 6,814,013
Add:	
Amortization of tangible capital assets	828,483
Expense budget per financial statements	\$ 7,642,496

HENVEY INLET FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2020

14. Effects of COVID-19:

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian and Ontario governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally and in Ontario resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions however the success of these interventions is not currently determinable. The current challenging economic climate may lead to adverse changes in cash flows, working capital levels and/or debt balances, which may also have a direct impact on the First Nation's operating results and financial position in the future. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect to the First Nation's business is not known at this time.

15. Subsequent events:

(a) On June 16th, 2020, to refinance a promissory note issued by NPC at a more favorable interest rate, the First Nation issued a promissory note (the "FNFA note") for \$117,052,000 to the First Nations Finance Authority (the "Authority"), which bears interest at 2.15% per annum, blended principle and interest payments of \$1,851,205 are due quarterly, maturing 2039.

Until maturity, the Authority holds the First Nation's principle in a sinking fund, which earns interest at 2.5% to applied against the outstanding principle balance at maturity.

The First Nation and the Authority have established an agreement where the First Nation's royalty and NPC's partnership distributions are deposited to a secured revenue trust account to be applied against the quarterly blended principle and interest payments of the FNFA note. The remaining royalty and partnership distributions are returned to the First Nation and NPC.

(b) On June 16th, 2020 the First Nation obtained a promissory note receivable from NPC (the "NPC note") for \$117,052,000, bearing interest at 2.15% per annum with no fixed terms of repayment. NPC partnership distributions used for repayment of the FNFA note above are applied against the interest and principle of the NPC note.

16. 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.

HENVEY INLET FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2020

16. Segmented information (continued):

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, administrating 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.

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

HENVEY INLET FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2020

15. Segmented information (continued):

	General/Band Support	Health	Education	Social Assistance	Community Property	Pickerel Contracting Limited	Government Business Partnerships	Government Business Enterprise	2020 Total
Revenue	\$ 10,339,727	1,335,662	1,247,496	410,734	926,419	55,029	-	-	\$ 14,315,067
Expenses:									
Salaries and benefits	1,344,333	513,981	192,287	51,334	138,383	331,402	-	-	2,571,720
Material supplies and subcontracts	1,523,596	88,240	153,455	37,409	1,012,822	731,067	-	-	3,546,589
Professional fees	2,956,352	34,796	4,891	-	16,891	12,000	-	-	3,024,930
Interest on long-term debt	-	-	-	-	19,098	-	-	-	19,098
Provincial Schools tuition	-	-	732,083	-	-	-	-	-	732,083
Expense recoveries	-	-	-	-	-	(874,756)	-	-	(874,756)
Other	336,392	932,271	229,161	321,991	223,240	14,458	-	-	2,057,513
Amortization of tangible capital assets	217,681	69,095	-	-	541,686	21	-	-	828,483
	6,378,354	1,638,383	1,311,877	410,734	1,952,120	214,192	-	-	11,905,660
Other income (loss)	-	-	-	-	-	-	(23,906,232)	(161,611)	(24,067,843)
Excess (deficiency) of revenue over expense:	\$ 3,961,373	(302,721)	(64,381)	-	(1,025,701)	(159,163)	(23,906,232)	(161,611)	\$ (21,658,436)

HENVEY INLET FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2020

15. 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)