

Consolidated Financial Statements of

HENVEY INLET FIRST NATION

And Independent Auditors' Report thereon

Year ended March 31, 2021

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Henvey Inlet First Nation (the "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.

Mylene Davis

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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, 2021
- 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 consolidated financial position of the First Nation as at March 31, 2021, and its consolidated results of operations and its consolidated 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 and those Charged with Governance 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.

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

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.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient 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 "KPMG" is in a bold, italicized font, and "LLP" is in a smaller, regular font. A horizontal line is drawn underneath the signature.

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada

November 22, 2021

HENVEY INLET FIRST NATION

Index to Consolidated Financial Statements

Year ended March 31, 2021

Financial Statements

Exhibit A	Statement of Consolidated Financial Position	1
Exhibit B	Statement of Consolidated Operations and Accumulated Surplus	2
Exhibit C	Statement of Consolidated Changes in Net Assets	3
Exhibit D	Statement of Consolidated Cash Flows	4
	Notes to Consolidated Financial Statements	5 - 18

HENVEY INLET FIRST NATION

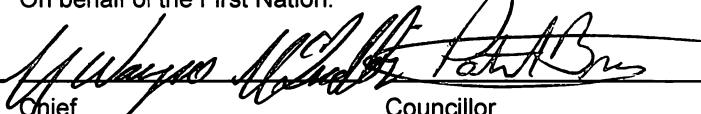
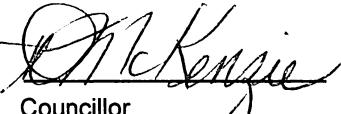
Exhibit A - Consolidated Statement of Financial Position

March 31, 2021, with comparative information for 2020

	2021	2020
Financial assets		
Cash	\$ 14,597,422	\$ 10,007,672
Restricted cash (note 2)	35,672	85,365
Accounts receivable	4,319,807	5,967,444
Consolidated revenue fund	90,573	90,573
Investment in Government Business Enterprise (note 3)	31,506,538	1
Investment in non-controlled entities (note 4)	2,522,896	2,863,391
Restricted assets - Henvey Inlet First Nation Key Harbour Settlement Trust (note 5)	2,642,951	2,606,704
<u>Note receivable from Nigig Power Corporation (note 7)</u>	<u>106,591,653</u>	-
	162,307,512	21,621,150
Financial liabilities		
Accounts payable and accrued liabilities	1,923,281	2,566,549
Deferred revenue (note 8)	2,184,632	906,255
<u>Long-term debt (note 9)</u>	<u>108,590,376</u>	1,162,410
	112,698,289	4,635,214
Net assets	49,609,223	16,985,936
Non-financial assets		
Tangible capital assets (note 6)	19,366,345	18,893,373
Prepaid expenses	37,171	23,030
<u>Inventory</u>	<u>92,874</u>	12,331
	19,496,390	18,928,734
Contingent liabilities (note 13)		
Accumulated surplus (note 10)	\$ 69,105,613	\$ 35,914,670

See accompanying notes to consolidated financial statements.

On behalf of the First Nation:

Chief

Councillor

Councillor





Councillor

Councillor

Councillor

HENVEY INLET FIRST NATION

Exhibit B - Consolidated Statement of Operations and Accumulated Surplus

Year ended March 31, 2021, with comparative information for 2020

	2021 Budget	2021 Actual	2020 Actual
	(note 16)		
Revenue:			
Federal funding (note 11)	\$ 4,935,057	\$ 3,597,227	\$ 3,003,691
Provincial funding	627,631	1,283,410	993,180
Grants and other subsidies	-	361,982	322,122
Kinoomaadziwin Education Body	-	1,298,964	1,246,233
Henvey Inlet Wind LP	2,270,791	6,656,965	4,355,687
Pattern Renewable Energy	-	-	1,897,175
Other	2,745,869	9,976,727	2,496,979
	10,579,348	23,175,275	14,315,067
Expenses:			
Band Government	1,485,600	1,073,596	1,136,599
Social Assistance	157,474	414,794	410,734
Education	1,236,590	1,283,222	1,311,877
Community Infrastructure	1,660,680	1,603,634	1,590,142
Health Services - Patient Transportation	169,868	114,028	106,738
Health Services	1,226,997	1,858,459	1,531,645
Community Services	1,243,738	1,283,089	1,111,302
Employment, Economic & Environment Development	1,011,619	8,823,321	2,954,436
Day Care	309,942	344,047	324,835
Band Housing	83,449	131,295	149,402
CMHC Housing	333,411	446,449	212,576
Gas Bar	14,711	541,676	783,034
Pickerel Contracting Limited	-	970,691	214,192
Henvey Inlet First Nation Key Harbour Settlement Trust	-	65,392	68,149
	8,934,079	18,953,693	11,905,661
Excess of revenue over expenses before undernoted items	1,645,269	4,221,582	2,409,406
Other income (expenses) (note 12):			
Promissory note	-	(2,196,681)	-
Share of income (loss) from Government Business Enterprise	-	31,506,537	(23,906,232)
Share of loss from non-controlled entities	-	(340,495)	(161,611)
	-	28,969,361	(24,067,843)
Excess (deficiency) of revenue over expenses	1,645,269	33,190,943	(21,658,437)
Accumulated surplus, beginning of year	35,914,670	35,914,670	57,573,107
Accumulated surplus, end of year	\$ 37,559,939	\$ 69,105,613	\$ 35,914,670

See accompanying notes to consolidated financial statements.

HENVEY INLET FIRST NATION

Exhibit C - Consolidated Statement of Changes in Net Assets

Year ended March 31, 2021, with comparative information for 2020

	2021 Budget	2021 Actual	2020 Actual
(note 16)			
Excess (deficiency) of revenue over expenses	\$ 1,645,269	\$ 33,190,943	\$ (21,658,437)
Acquisition of tangible capital assets	(2,126,595)	(2,126,595)	(4,922,414)
Amortization of capital assets	1,258,591	1,258,591	828,483
Loss on disposal of tangible capital assets	-	395,032	167
	777,265	32,717,971	(25,752,201)
Use of prepaid expenses	-	(14,141)	3,777
Use of inventory	-	(80,543)	4,041
Change in net assets (debt)	777,265	32,623,287	(25,744,383)
Net assets, beginning of year	16,985,936	16,985,936	42,730,319
Net assets, end of year	\$ 17,763,201	\$ 49,609,223	\$ 16,985,936

See accompanying notes to consolidated financial statements.

HENVEY INLET FIRST NATION

Exhibit D - Consolidated Statement of Cash Flows

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Cash flows from operating activities:		
Excess (deficiency) of revenue over expenses	\$ 33,190,943	\$ (21,658,437)
Adjustment for:		
Amortization of tangible capital assets	1,258,591	828,483
Loss on disposal of tangible capital assets	395,032	167
Share of (gain) loss from Government Business Enterprises and non-controlled entities	<u>(31,166,042)</u>	<u>24,067,843</u>
	3,678,524	3,238,056
Cash flows from operating activities:		
Decrease (increase) in accounts receivable	1,647,637	(2,947,399)
Increase (decrease) in inventory	(80,543)	4,041
Increase (decrease) in accounts payable and accrued liabilities	(643,268)	543,827
Increase in deferred revenue	1,278,377	38,884
Increase (decrease) in prepaid expenses	<u>(14,141)</u>	<u>3,777</u>
	5,866,586	881,186
Cash flows from capital activities:		
Acquisition of tangible capital assets	(2,126,595)	(4,922,414)
Cash flows from financing activities:		
FNFA debt proceeds	111,200,027	-
Principal payments on long-term debt	<u>(3,772,061)</u>	<u>(67,963)</u>
	107,427,966	(67,963)
Cash flows from investing activities:		
Increase (decrease) in Henvey Inlet First Nation Key Harbour Settlement Trust	(36,247)	36,306
Issuance of note receivable to Nigig Power Corporation	(117,096,118)	-
Repayment of Nigig Power Corporation note receivable	<u>10,504,465</u>	<u>-</u>
	(106,627,900)	36,306
Net increase (decrease) in cash	4,540,057	(4,072,885)
Cash, beginning of year	10,093,037	14,165,922
Cash, end of year	\$ 14,633,094	\$ 10,093,037
Cash is represented by:		
Cash	\$ 14,597,422	\$ 10,007,672
Restricted cash	35,672	85,365
	<u>\$ 14,633,094</u>	<u>\$ 10,093,037</u>

See accompanying notes to consolidated financial statements.

HENVEY INLET FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2021

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 non-controlled entities:

The investment in non-controlled entities 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 organization’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, 2021

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, 2021

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 \$35,672 (2020 - \$85,365) is restricted for this purpose. Under the agreement, the First Nation is required to set aside cash to maintain a replacement reserve bank account. As of fiscal year end, this First Nation is required to have set aside \$16,383 (2020 - \$95,846).

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.

The investment in Government Business Enterprise consists of the following:

	2021	2020
Balance, at beginning of year	\$ 1	\$ 23,906,234
Share of earnings (loss)	40,312,906	(32,799,779)
Provision (reversal) of impairment	(8,893,546)	8,893,546
Prior period adjustment	87,177	-
Balance, end of year	\$ 31,506,538	\$ 1

HENVEY INLET FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2021

3. Investment in Government Business Enterprise (continued):

The following tables provide condensed supplementary financial information for the year ended March 31, 2021:

	2021	2020
Financial position:		
Current assets	\$ 387,872	\$ 247,111
Other assets	143,770,256	108,228,713
<u>Total assets</u>	<u>144,158,128</u>	<u>108,475,824</u>
Liabilities	112,651,590	117,282,192
<u>Net assets (liabilities)</u>	<u>\$ 31,506,538</u>	<u>\$ (8,806,368)</u>

	2021	2020
Results of operations:		
Revenue	\$ 7,000	\$ 8,400
Expenses	10,239,594	10,603,178
Share of (equity) loss in joint ventures	(50,545,500)	22,205,000
	(40,305,906)	32,808,178
<u>Net income (loss)</u>	<u>\$ 40,312,906</u>	<u>\$ (32,799,778)</u>

4. Investment in non-controlled entities:

The following organizations are interests in partnerships of the First Nation and have been accounted for on a modified equity basis in these consolidated financial statements:

- a) Shwe Miikaan Limited Partnership: The First Nation has a 33.33% ownership interest in SMLP which operates a business in the construction industry.
- b) HIW Property Holdings Limited Partnership: The First Nation has a 50.00% ownership interest in HIWP who holds property on behalf of its partners.

The investments are comprised of the following:

	SMLP	HIWP	2021	2020
Balance, at beginning of year	\$ 325,170	\$ 2,538,221	\$ 2,863,391	\$ 3,025,002
Share of loss	33,075	(275,721)	(242,646)	(161,611)
Prior period adjustment	(97,849)	–	(97,849)	–
<u>Balance, end of year</u>	<u>\$ 260,396</u>	<u>\$ 2,262,500</u>	<u>\$ 2,522,896</u>	<u>\$ 2,863,391</u>

HENVEY INLET FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2021

4. Investment in non-controlled entities (continued):

The following tables provide condensed supplementary financial information for the year ended March 31, 2021:

	SMLP	HIWP	2021	2020
Financial Position:				
Current assets	\$ 676,415	\$ 426,000	\$ 1,102,415	\$ 755,896
Other assets	432,280	4,104,000	4,536,280	5,609,476
Total assets	1,108,695	4,530,000	5,638,695	6,365,372
Liabilities	517,796	6,000	523,796	489,832
Net position	\$ 590,899	\$ 4,524,000	\$ 5,114,899	\$ 5,875,540

	SMLP	HIWP	2021	2020
Results of operations:				
Revenue	\$ 1,191,490	\$ 1,000	\$ 1,192,490	\$ 2,004,863
Expenses	1,092,266	26,000	1,118,266	2,454,426
Net income (loss)	\$ 99,224	\$ (25,000)	\$ 74,224	\$ (449,563)

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:

2021	Cost	Fair Market Value
Cash	\$ 65,234	\$ 64,533
Canadian fixed income	1,177,612	1,226,234
Canadian equities	569,221	667,301
Foreign equities	830,884	1,067,284
	\$ 2,642,951	\$ 3,025,352

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

HENVEY INLET FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2021

6. Tangible capital assets:

	Cost	Balance at March 31, 2020	Additions	Adjustments and Transfers	Disposals	Balance at March 31, 2021
Land improvements	\$ 601,975	\$ 38,457	\$ -	\$ -	\$ 640,432	
Buildings	10,529,955	997,043	2,685,883	(709,089)		13,503,792
Roads infrastructure	1,465,066	454,998	-	-		1,920,064
Machinery and equipment	4,347,556	623,422	69,325	(313,070)		4,727,233
Furniture, computers and fixtures	344,626	-	-	-		344,626
Water infrastructure	5,353,709	-	-	-		5,353,709
Assets under construction	2,755,208	12,675	(2,755,208)	-		12,675
Total	\$ 25,398,095	\$ 2,126,595	\$ -	\$ (1,022,159)	\$ 26,502,531	

	Accumulated Amortization	Balance at March 31, 2020	Disposals	Adjustments and Transfers	Amortization	Balance at March 31, 2021
Land improvements	\$ 174,067	\$ -	\$ -	\$ 19,696	\$ 193,763	
Buildings	2,638,583	(475,527)	-	661,843		2,824,899
Roads infrastructure	534,786	-	-	24,013		558,799
Machinery and equipment	1,310,943	(151,600)	-	368,322		1,527,665
Furniture, computers and fixtures	135,442	-	-	61,659		197,101
Water infrastructure	1,710,901	-	-	123,058		1,833,959
Assets under construction	-	-	-	-		-
Total	\$ 6,504,722	\$ (627,127)	\$ -	\$ 1,258,591	\$ 7,136,186	

	Net book value, March 31, 2020	Net book value, March 31, 2021
Land improvements	\$ 427,908	\$ 446,669
Buildings	7,891,372	10,678,893
Roads infrastructure	930,280	1,361,265
Machinery and equipment	3,036,613	3,199,568
Furniture, computers and fixtures	209,184	147,525
Water infrastructure	3,642,808	3,519,750
Assets under construction	2,755,208	12,675
Total	\$ 18,893,373	\$ 19,366,345

HENVEY INLET FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2021

6. Tangible capital assets (continued):

Cost	Balance at March 31, 2019		Adjustments and Transfers			Balance at March 31, 2020	
			Additions		Disposals		
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	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, 2021

7. Note receivable from Nigig Power Corporation:

The note receivable from NPC is measured at the exchange amount as determined at the transaction date.

The note receivable bears interest at a variable interest rate which is adjusted from time to time to match the rate of interest charged to the First Nation from another specified debt instrument. The current variable interest rate is 2.15% per annum, no interest rate adjustments occurred during the year.

8. Deferred revenue:

	2021	2020
Indigenous Services Canada	\$ 1,147,012	\$ 345,527
Kinoomaadziwin Education Body	786,511	433,588
Union of Ontario Indians	182,065	58,087
Ministry of Indigenous Affairs	—	27,122
Trailer park fees	—	13,520
Other	69,044	28,411
	<hr/>	<hr/>
	\$ 2,184,632	\$ 906,255

9. Long-term debt:

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

	2021	2020
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	\$ 134,537	\$ 151,485
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	342,666	365,188
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	205,346	217,440
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	257,192	270,020
Canada Mortgage and Housing Corporation mortgage payable \$742 monthly including principal and interest, bearing interest at 2.48% per annum, due August 1, 2043	153,215	158,277
First Nation Financing Authority ("FNFA") loan payable \$617,069 monthly including principal and interest, bearing interest at 2.15% per annum, due June 2030. Secured by other revenues regulations under borrowing agreement law.	107,497,420	—
	<hr/>	<hr/>
	\$ 108,590,376	\$ 1,162,410

HENVEY INLET FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2021

9. Long-term debt (continued):

Principal repayments due are estimated as follows:

2022	\$ 4,958,935
2023	4,960,296
2024	4,961,685
2025	4,963,103
2026	4,964,550
Thereafter	83,781,807

10. Accumulated surplus:

	2021	2020
Surplus:		
Invested in tangible capital assets	\$ 18,273,480	\$ 17,730,963
Operating	14,059,170	11,505,495
FNFA financing	(107,497,420)	–
Nigig Power Corporation note receivable	106,591,653	–
Land claim	75,446	75,446
Unfinanced CMHC capital	(73,012)	(73,012)
	31,429,317	29,238,892
Reserves:		
Reserve funds set aside for specific purpose by Council	1,202,325	1,645,565
Committed reserves	208,945	208,945
	1,411,270	1,854,510
Government Business Enterprises and Partnerships:		
Nigig Power Corporation	31,506,538	1
HIW Property Holdings Partnership	2,262,500	2,538,221
Shwe Miikaan Limited Partnership	260,396	325,170
	34,029,434	2,863,392
Henvey Inlet First Nation Key Harbour Settlement Trust	2,235,592	1,957,876
	\$ 69,105,613	\$ 35,914,670

11. Federal government funding:

	2021	2020
Add: Opening deferred ISC revenue	\$ 345,527	\$ 558,615
ISC funding per confirmation	4,059,794	2,593,442
Less: Ending deferred ISC revenue	(1,147,013)	(345,527)
Add: ISC Medical Centre relocation revenue	222,015	–
Add: Other federal government funding	116,904	197,161
	\$ 3,597,227	\$ 3,003,691

HENVEY INLET FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2021

12. Gross revenues and expenses:

	2021	2020
Revenues:		
Revenue per consolidated statement of operations and accumulated surplus		
Share of gain from Government Business Enterprises	\$ 23,175,275	\$ 14,315,067
	31,506,537	—
Gross revenues	\$ 54,681,812	\$ 14,315,067
Expenses:		
Expenses per consolidated statement of operations and accumulated surplus		
Promissory note expenditures	\$ 18,953,693	\$ 11,905,661
Share of loss from Government Business Enterprises	2,196,681	—
Share of loss from investment in non-controlling entities	—	23,906,232
	340,495	161,611
Gross expenses	\$ 21,490,869	\$ 35,973,504

13. 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 \$6,378,500 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 \$232,937 (2020 - \$242,214) and the principle outstanding on the loans as of the consolidated financial statement date is \$232,937 (2020 - \$242,214).

14. Commitments:

The First Nation has entered into an agreement dated March 25, 2021 to provide the Robinson Huron Treaty Litigation Fund with \$63,000 annually over the five-year period from 2022 until 2026 for a total commitment amount of \$315,000.

15. Comparative information:

Certain 2020 comparative figures have been reclassified to conform to the presentation adopted in 2021.

HENVEY INLET FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2021

16. 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:

	2021
Approved revenue budget:	
Total revenues per budget	\$ 10,579,348
Revenue budget per financial statements	<u>\$ 10,579,348</u>
Approved expense budget:	
Total expenses per budget	\$ 7,675,498
Add:	
Amortization of tangible capital assets	1,258,581
Expense budget per financial statements	<u>\$ 8,934,079</u>

17. Financial risks and concentration of risks:

a) Interest rate risk:

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of debt instruments because of changes in market interest rates. The First Nation is exposed to this risk through its long-term debt. The First Nation monitors interest rate risk on a continuing basis.

b) Other risk:

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.

HENVEY INLET FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2021

18. 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, administrating the Henvey Inlet First Nation Key Harbour Settlement Trust, administering community services, economic development initiatives, environmental 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, 2021

18. Segmented information (continued):

	General/Band Support	Health	Education	Social Assistance	Community Property	Pickerel Contracting Limited	Government Business Enterprise	Non-Controlled Entities	2021 Total
Revenue	\$ 17,895,053	2,078,940	1,327,313	414,794	1,299,307	159,868	-	-	\$ 23,175,275
Expenses:									
Salaries and benefits	1,367,343	800,463	179,590	53,430	116,746	528,236	-	-	3,045,808
Material supplies and subcontracts	894,568	198,829	26,292	43,400	678,046	979,545	-	-	2,820,680
Professional fees	2,232,032	22,542	4,980	-	16,108	38,999	-	-	2,314,661
Interest on long-term debt	2,196,681	-	-	-	20,986	-	-	-	2,217,667
Provincial Schools tuition	-	-	801,839	-	-	-	-	-	801,839
Expense recoveries	-	-	-	-	-	(596,786)	-	-	(596,786)
Program expenditures	7,324,230	873,080	254,487	317,964	497,473	20,680	-	-	9,287,914
Amortization of tangible capital assets	312,948	77,573	16,034	-	852,019	17	-	-	1,258,591
	14,327,802	1,972,487	1,283,222	414,794	2,181,378	970,691	-	-	21,150,374
Share of income (loss) from Government Business Enterprise and non-controlled entities									
Excess (deficiency) of revenue over expenses	\$ 3,567,251	106,453	44,091	-	(882,071)	(810,823)	31,506,537	(340,495)	\$ 33,190,943

HENVEY INLET FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2021

18. Segmented information (continued):

	General/Band Support	Health	Education	Social Assistance	Community Property	Pickerel Contracting Limited	Government Business Enterprise	Non-Controlled Entities	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	1,344,334	513,981	192,287	51,334	138,383	331,402	-	-	2,571,721
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
	6,378,355	1,638,383	1,311,877	410,734	1,952,120	214,192	-	-	11,905,661
Other income (expense)	-	-	-	-	-	-	(23,906,232)	(161,611)	(24,067,843)
Excess (deficiency) of revenue over expenses	\$ 3,961,372	(302,721)	(64,381)	-	(1,025,701)	(159,163)	(23,906,232)	(161,611)	(21,658,437)