

Consolidated Financial Statements of

HENVEY INLET FIRST NATION

And Independent Auditor's Report thereon

Year ended March 31, 2022

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.

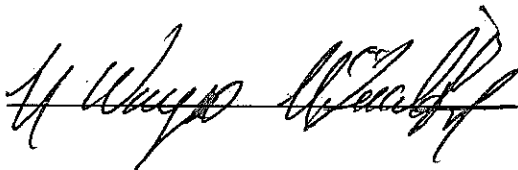
The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Consolidated financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, 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 auditor's 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 AUDITOR'S 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, 2022
- 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, 2022, 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 "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's 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 First Nation's financial reporting process.

Auditor's 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 auditor's report that includes our opinion.

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

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of 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 auditor's 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 auditor's report. However, future events or conditions may cause the First Nation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the 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 signature is written in a cursive, stylized font. Below the signature is a single horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada
December 6, 2022

HENVEY INLET FIRST NATION

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Year ended March 31, 2022

Financial Statements

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HENVEY INLET FIRST NATION

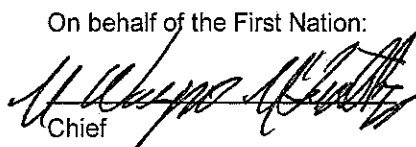
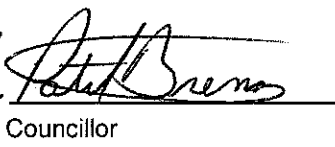
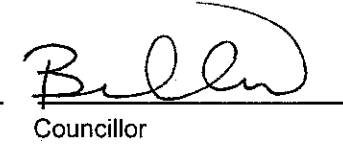
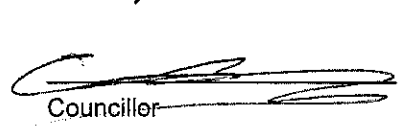
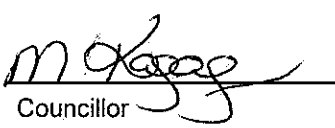
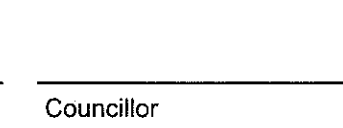
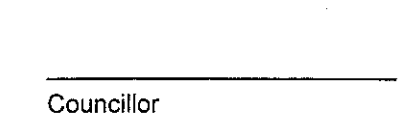
Exhibit A - Consolidated Statement of Financial Position

March 31, 2022, with comparative information for 2021

	2022	2021
Financial assets		
Cash	\$ 63,352,577	\$ 14,597,422
Restricted cash (note 2)	46,909	35,672
Accounts receivable	4,542,247	4,319,807
Consolidated revenue fund	90,573	90,573
Investment in Government Business Enterprise (note 3)	51,452,260	31,506,538
Interests in partnerships (note 4)	189,551	2,522,896
Restricted assets - Henvey Inlet First Nation Key Harbour Settlement Trust (note 5)	2,800,141	2,642,951
Note receivable from Nigig Power Corporation	-	106,591,653
	<u>122,474,258</u>	<u>162,307,512</u>
Financial liabilities		
Accounts payable and accrued liabilities	4,018,988	1,923,281
Deferred revenue (note 7)	3,896,877	2,184,632
Long-term debt (note 8)	103,444,738	108,590,376
	<u>111,360,603</u>	<u>112,698,289</u>
Net assets	<u>11,113,655</u>	<u>49,609,223</u>
Non-financial assets		
Tangible capital assets (note 6)	25,928,194	19,366,345
Prepaid expenses	49,596	37,171
Inventory	36,908	92,874
	<u>26,014,698</u>	<u>19,496,390</u>
Contingent liabilities (note 12)		
Accumulated surplus (note 9)	\$ 37,128,353	\$ 69,105,613

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, 2022, with comparative information for 2021

	2022 Budget (note 16)	2022 Actual	2021 Actual
Revenue:			
Federal funding (note 10)	\$ 4,699,528	\$ 4,828,174	\$ 3,597,227
Provincial funding	786,934	1,179,375	1,283,410
Grants and other subsidies	-	483,204	361,982
Kinoomaadziwin Education Body	-	1,269,120	1,298,964
Henvey Inlet Wind LP	3,352,323	7,389,990	6,656,965
Other	2,096,132	4,752,821	9,976,727
	10,934,917	19,902,684	23,175,275
Expenses:			
Band Government	1,501,521	1,833,050	1,073,596
Social Assistance	157,474	481,778	414,794
Education	1,231,262	1,309,959	1,283,222
Community Infrastructure	1,410,618	1,397,809	1,603,634
Health Services - Patient Transportation	109,366	156,331	114,028
Health Services	1,476,659	1,677,634	1,858,459
Community Services	827,173	779,004	1,283,089
Employment, Economic & Environment Development	317,386	5,921,994	8,823,321
Day Care	465,692	291,891	344,047
Band Housing	118,298	167,745	131,295
CMHC Housing	327,159	188,730	446,449
Gas Bar	13,074	690,345	541,676
Pickrel Contracting Limited	14	656,367	970,691
Henvey Inlet First Nation Key Harbour Settlement Trust	-	38,761	65,392
	7,955,696	15,591,398	18,953,693
Excess of revenue over expenses before undernoted items	2,979,221	4,311,286	4,221,582
Other income (expenses) (note 11):			
Promissory note	-	(2,329,786)	(2,196,681)
Contributions to Windfarm Legacy Trust	-	(87,500,000)	-
Purchase premium	-	(147,962)	-
Asset impairment	-	(636,699)	-
Share of income from Government Business Enterprise	22,452,462	55,718,745	31,506,537
Share of loss from interests in partnerships	-	(1,392,844)	(340,495)
	22,452,462	(36,288,546)	28,969,361
Excess (deficiency) of revenue over expenses	25,431,683	(31,977,260)	33,190,943
Accumulated surplus, beginning of year	69,105,613	69,105,613	35,914,670
Accumulated surplus, end of year	\$ 94,537,296	\$ 37,128,353	\$ 69,105,613

See accompanying notes to consolidated financial statements.

HENVEY INLET FIRST NATION

Exhibit C - Consolidated Statement of Changes in Net Assets

Year ended March 31, 2022, with comparative information for 2021

	2022 Budget (note 16)	2022 Actual	2021 Actual
Excess (deficiency) of revenue over expenses	\$ 25,431,683	\$ (31,977,260)	\$ 33,190,943
Acquisition of tangible capital assets	(7,310,101)	(7,310,101)	(2,126,595)
Amortization of capital assets	1,052,050	1,052,050	1,258,591
Acquisition due to change in circumstances	-	(303,800)	-
Gain on disposal of tangible capital assets	-	-	395,032
	19,173,632	(38,539,111)	32,717,971
Use of prepaid expenses	-	(12,423)	(14,141)
Use of inventory	-	55,966	(80,543)
Change in net assets (debt)	19,173,632	(38,495,568)	32,623,287
Net assets, beginning of year	49,609,223	49,609,223	16,985,936
Net assets, end of year	\$ 68,782,855	\$ 11,113,655	\$ 49,609,223

See accompanying notes to consolidated financial statements.

HENVEY INLET FIRST NATION

Exhibit D - Consolidated Statement of Cash Flows

Year ended March 31, 2022, with comparative information for 2021

	2022	2021
Cash flows from operating activities:		
Excess (deficiency) of revenue over expenses	\$ (31,977,260)	\$ 33,190,943
Adjustment for:		
Amortization of tangible capital assets	1,052,050	1,258,591
Gain on disposal of tangible capital assets	-	395,032
Asset impairment	636,699	-
Share of gain from Government Business Enterprises and interests in partnerships	(54,325,901)	(31,166,042)
	(84,614,412)	3,678,524
Cash flows from operating activities:		
Decrease (increase) in accounts receivable	(222,440)	1,647,637
Increase (decrease) in inventory	55,970	(80,543)
Increase (decrease) in accounts payable and accrued liabilities	2,095,707	(643,268)
Increase in deferred revenue	1,712,245	1,278,377
Increase in prepaid expenses	(12,425)	(14,141)
	(80,985,355)	5,866,586
Cash flows from capital activities:		
Acquisition of tangible capital assets	(7,310,101)	(2,126,595)
Cash flows from financing activities:		
FNFA debt proceeds	-	111,200,027
Principal payments on long-term debt	(5,145,637)	(3,772,061)
	(5,145,637)	107,427,966
Cash flows from investing activities:		
Increase in Henvey Inlet First Nation Key Harbour Settlement Trust	(157,190)	(36,247)
Issuance of note receivable to Nigig Power Corporation	-	(117,096,118)
Dividends from Government Business Enterprise	35,773,022	-
Repayment of Nigig Power Corporation note receivable	106,591,653	10,504,465
	142,207,485	(106,627,900)
Net increase in cash	48,766,392	4,540,057
Cash, beginning of year	14,633,094	10,093,037
Cash, end of year	\$ 63,399,486	\$ 14,633,094
Cash is represented by:		
Cash	\$ 63,352,577	\$ 14,597,422
Restricted cash	46,909	35,672
	\$ 63,399,486	\$ 14,633,094

See accompanying notes to consolidated financial statements.

HENVEY INLET FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2022

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, Adtores Properties GP Ltd. (“APGP”), HIW Property Holdings LP, HIW Property Holdings GP Inc (together “HIWP”) 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 partnerships:

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”)

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, 2022

1. Significant accounting policies (continued):

(a) Reporting entity (continued):

(iv) Acquisition of governmental unit:

On March 16, 2022, for cash consideration of \$451,763 the First Nation acquired an additional 50% of the voting interest in HIWP, making HIWP wholly controlled by the First Nation.

Net assets acquired includes land with a fair market value of \$607,600, HIWP had no other assets or liabilities as of the acquisition date. A purchase premium of \$147,963 has charged in the statement of operations during the period.

The operating results from the date of acquisition to the year ended March 31, 2022 have been included in the consolidated statement of operations.

(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.

HENVEY INLET FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2022

1. Significant accounting policies (continued):

(d) Non-financial assets (continued):

(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.

(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 \$46,909 (2021 - \$35,672) 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 (2021 - \$16,383).

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:

	2022	2021
Balance, at beginning of year	\$ 31,506,538	\$ 1
Share of earnings	55,718,744	40,312,906
Provision (reversal) of impairment	—	(8,893,546)
Prior period adjustment	—	87,177
Dividend	(35,773,022)	—
Balance, end of year	\$ 51,452,260	\$ 31,506,538

HENVEY INLET FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2022

3. Investment in Government Business Enterprise (continued):

The following tables provide condensed supplementary financial information for the year ended March 31, 2022:

	2022	2021
Financial position:		
Current assets	\$ 420,594	\$ 387,872
Other assets	56,147,614	143,770,256
Total assets	56,568,208	144,158,128
Liabilities	5,115,948	112,651,590
Net assets	\$ 51,452,260	\$ 31,506,538

	2022	2021
Results of operations:		
Revenue	\$ 26,389	\$ 7,000
Expenses	4,225,367	10,239,594
Share of (equity) gain in joint ventures	(59,917,722)	(50,545,500)
	(55,692,355)	(40,305,906)
Net income	\$ 55,718,744	\$ 40,312,906

4. Interests in partnerships:

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.

The investments are comprised of the following:

	SMLP	HIWP	2022	2021
Balance, at beginning of year	\$ 260,396	\$ 2,262,500	\$ 2,522,896	\$ 2,863,391
Share of loss	(70,858)	(1,322,000)	(1,392,858)	(242,646)
Impairment	14	(636,700)	(636,686)	—
Change in circumstance	—	(303,800)	(303,800)	—
Prior period adjustment	—	—	—	(97,849)
Balance, end of year	\$ 189,552	\$ —	\$ 189,552	\$ 2,522,896

HENVEY INLET FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2022

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

The following tables provide condensed supplementary financial information for the year ended March 31, 2022:

	2022	2021
Financial Position:		
Current assets	\$ 441,507	\$ 1,102,415
Other assets	207,714	4,536,280
Total assets	649,221	5,638,695
Liabilities	271,406	523,796
Net position	\$ 377,815	\$ 5,114,899

	2022	2021
Results of operations:		
Revenue	\$ 775,100	\$ 1,192,490
Expenses	987,674	1,118,266
Net income (loss)	\$ (212,574)	\$ 74,224

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:

2022	Cost	Fair Market Value
Cash	\$ 241,176	\$ 241,176
Canadian fixed income	1,189,679	1,190,308
Canadian equities	780,778	978,680
Foreign equities	588,508	736,197
	\$ 2,800,141	\$ 3,146,361

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

HENVEY INLET FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2022

6. Tangible capital assets:

Cost	Balance at March 31, 2021	Additions	Adjustments and Transfers	Disposals	Balance at March 31, 2022
Land	\$ -	\$ 1,955,545	\$ 303,800	\$ -	\$ 2,259,345
Land improvements	640,432	-	-	-	640,432
Buildings	13,503,792	1,495,916	-	-	14,999,708
Roads infrastructure	1,920,064	-	-	-	1,920,064
Machinery and equipment	4,727,233	317,348	-	-	5,044,581
Furniture, computers and fixtures	344,626	4,700	-	-	349,326
Water infrastructure	5,353,709	-	-	-	5,353,709
Assets under construction	12,675	3,536,592	-	-	3,549,267
Total	\$ 26,502,531	\$ 7,310,101	\$ 303,800	\$ -	\$ 34,116,432

Accumulated Amortization	Balance at March 31, 2021	Disposals	Adjustments and Transfers	Amortization	Balance at March 31, 2022
Land	\$ -	\$ -	\$ -	\$ -	\$ -
Land improvements	193,763	-	-	21,619	215,382
Buildings	2,824,899	-	-	206,335	3,031,234
Roads infrastructure	558,799	-	-	27,046	585,845
Machinery and equipment	1,527,665	-	-	623,154	2,150,819
Furniture, computers and fixtures	197,101	-	-	50,856	247,957
Water infrastructure	1,833,959	-	-	123,040	1,956,999
Assets under construction	-	-	-	-	-
Total	\$ 7,136,186	\$ -	\$ -	\$ 1,052,050	\$ 8,188,236

	Net book value, March 31, 2021	Net book value, March 31, 2022
Land	\$ -	\$ 2,259,345
Land improvements	446,669	425,050
Buildings	10,678,893	11,968,474
Roads infrastructure	1,361,265	1,334,219
Machinery and equipment	3,199,568	2,893,762
Furniture, computers and fixtures	147,525	101,369
Water infrastructure	3,519,750	3,396,710
Assets under construction	12,675	3,549,267
Total	\$ 19,366,345	\$ 25,928,196

HENVEY INLET FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2021

6. Tangible capital assets (continued):

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, 2022

7. Deferred revenue:

	2022	2021
Indigenous Services Canada	\$ 2,450,388	\$ 1,147,012
Kinoomaadziwin Education Body	1,251,215	786,511
Union of Ontario Indians	—	182,065
Trailer park fees	6,767	—
Other	188,507	69,044
	\$ 3,896,877	\$ 2,184,632

8. Long-term debt:

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

	2022	2021
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	\$ 117,172	\$ 134,537
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	319,767	342,666
Canada Mortgage and Housing Corporation mortgage payable \$1,231 monthly including principal and interest, bearing interest at 1.51% per annum, due October 1, 2036	193,272	205,346
Canada Mortgage and Housing Corporation mortgage payable \$1,520 monthly including principal and interest, bearing interest at 2.06% per annum, due November 1, 2037	244,112	257,192
Canada Mortgage and Housing Corporation mortgage payable \$742 monthly including principal and interest, bearing interest at 2.48% per annum, due August 1, 2043	148,033	153,215
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	102,422,382	107,497,420
	\$ 103,444,738	\$ 108,590,376

Principal repayments due are estimated as follows:

2023	\$ 4,959,899
2024	4,961,341
2025	4,962,814
2026	4,964,318
2027	4,965,583
Thereafter	78,630,783

HENVEY INLET FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2022

9. Accumulated surplus:

	2022	2021
Surplus:		
Invested in tangible capital assets	\$ 24,905,860	\$ 18,273,480
Operating	59,279,894	14,059,170
FNFA financing	(102,422,382)	(107,497,420)
Nigig Power Corporation note receivable	—	106,591,653
Land claim	75,446	75,446
Unfinanced CMHC capital	(73,012)	(73,012)
	(18,234,194)	31,429,317
Reserves:		
Reserve funds set aside for specific purpose by Council	1,118,803	1,202,325
Committed reserves	208,945	208,945
	1,327,748	1,411,270
Government Business Enterprises and Partnerships:		
Nigig Power Corporation	51,452,261	31,506,538
HIW Property Holdings Partnership	—	2,262,500
Shwe Miikaan Limited Partnership	189,552	260,396
	51,641,813	34,029,434
Henvey Inlet First Nation Key Harbour Settlement Trust	2,392,986	2,235,592
	\$ 37,128,353	\$ 69,105,613

10. Federal government funding:

	2022	2021
Add: Opening deferred ISC revenue	\$ 1,147,013	\$ 345,527
ISC funding per confirmation	5,648,768	4,059,794
Less: Ending deferred ISC revenue	(2,450,388)	(1,147,013)
Add: ISC Medical Centre relocation revenue	197,356	222,015
Add: Justice Canada funding	144,375	—
Add: Other federal government funding	141,050	116,904
	\$ 4,828,174	\$ 3,597,227

HENVEY INLET FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2022

11. Gross revenues and expenses:

	2022	2021
Revenues:		
Revenue per consolidated statement of operations and accumulated surplus	\$ 19,929,622	\$ 23,175,275
Share of gain from Government Business Enterprises	55,718,745	31,506,537
Gross revenues	\$ 75,648,367	\$ 54,681,812
Expenses:		
Expenses per consolidated statement of operations and accumulated surplus	\$ 15,589,370	\$ 18,953,693
Promissory note expenditures	2,329,786	2,196,681
Contribution to Windfarm Legacy Trust	87,500,000	—
Purchase premium	147,962	—
Asset impairment	636,699	—
Share of loss from interests in partnerships	1,392,844	340,495
Gross expenses	\$107,596,661	\$ 21,490,869

12. 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 \$220,825 (2021 - \$232,937) and the principle outstanding on the loans as of the consolidated financial statement date is \$220,825 (2021 - \$232,937).

13. 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.

14. Comparative information:

Certain 2021 comparative information have been reclassified to conform to the presentation adopted in 2022.

HENVEY INLET FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2022

15. 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:

	2022
Approved revenue budget:	
Total revenues per budget	\$ 33,387,379
Revenue budget per financial statements	\$ 33,387,379
Approved expense budget:	
Total expenses per budget	\$ 6,903,646
Add:	
Amortization of tangible capital assets	1,052,050
Expense budget per financial statements	\$ 7,955,696

16. 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, 2022

17. 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, 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.