

Consolidated Financial Statements of

HENVEY INLET FIRST NATION

And Independent Auditor's Report thereon

Year ended March 31, 2023

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.



**KPMG LLP**

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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, 2023
- the consolidated statement of operations and accumulated operating 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
- the consolidated statement of remeasurement gains 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, 2023, 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.



Page 3

- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada
April 26, 2024

HENVEY INLET FIRST NATION

Index to Consolidated Financial Statements

Year ended March 31, 2023

Consolidated Financial Statements

Exhibit A	Consolidated Statement of Financial Position	1
Exhibit B	Consolidated Statement of Operations and Accumulated Operating Surplus	2
Exhibit C	Consolidated Statement of Changes in Net Assets	3
Exhibit D	Consolidated Statement of Cash Flows	4
Exhibit E	Consolidated Statement of Remeasurement Gains	5
	Notes to Consolidated Financial Statements	6 - 22

HENVEY INLET FIRST NATION

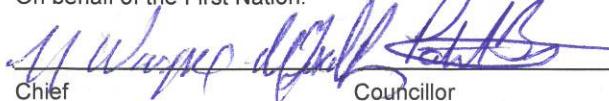
Exhibit A - Consolidated Statement of Financial Position

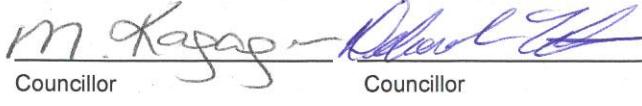
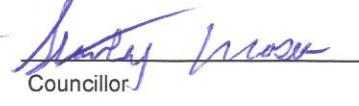
March 31, 2023, with comparative information for 2022

	2023	2022
Financial assets		
Cash and cash equivalents	\$ 59,257,475	\$ 61,489,837
Restricted cash (note 2)	1,990,137	1,909,649
Accounts receivable	3,349,239	4,542,247
Consolidated revenue fund	90,573	90,573
Investment in Government Business Enterprise (note 3)	49,706,523	51,452,260
Investment in non-controlled entities (note 4)	821,290	189,551
Restricted assets - Henvey Inlet First Nation Key Harbour Settlement Trust (note 5)	2,836,438	2,800,141
	118,051,675	122,474,258
Financial liabilities		
Accounts payable and accrued liabilities	5,190,757	4,018,988
Deferred revenue (note 7)	3,772,512	3,896,877
Long-term debt (note 8)	97,934,320	103,444,738
	106,897,589	111,360,603
Net assets	11,154,086	11,113,655
Non-financial assets		
Tangible capital assets (note 6)	36,953,735	25,928,194
Prepaid expenses	1,373,649	49,596
Inventory	29,161	36,908
	38,356,545	26,014,698
Contingent liabilities (note 12)		
Subsequent events (note 17)		
Accumulated surplus (note 9)	\$ 49,510,631	\$ 37,128,353
Accumulated surplus is comprised of:		
Accumulated operating surplus	\$ 49,445,831	\$ 37,128,353
Accumulated remeasurement gains	64,800	-
	\$ 49,510,631	\$ 37,128,353

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 Operating Surplus

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
Revenue:		
Federal funding (note 10)	\$ 5,514,000	\$ 4,828,174
Provincial funding	1,261,946	1,179,375
Grants and other subsidies	405,098	483,204
Kinoomaadziwin Education Body	1,605,070	1,269,120
Henvey Inlet Wind LP	7,407,305	7,389,990
Other	4,117,812	4,752,821
Realized gains on restricted assets	54,371	-
	20,365,602	19,902,684
Expenses:		
Band Government	1,071,596	1,833,050
Social Assistance	567,291	481,778
Education	1,541,901	1,309,959
Community Infrastructure	2,959,990	1,397,809
Health Services - Patient Transportation	182,720	156,331
Health Services	1,896,724	1,677,634
Community Services	1,761,365	779,004
Employment, Economic & Environment Development	2,629,862	5,921,994
Day Care	300,222	291,891
Band Housing	192,290	167,745
CMHC Housing	177,316	188,730
Gas Bar	1,192,958	690,345
Pickerel Contracting Limited	69,296	656,367
Henvey Inlet First Nation Key Harbour Settlement Trust	67,049	38,761
Government Business Enterprise	16,091	-
	14,626,671	15,591,398
Excess of revenue over expenses		
before undernoted items	5,738,931	4,311,286
Other income (expenses) (note 11):		
Promissory note	(1,965,506)	(2,329,786)
Contributions to Windfarm Legacy Trust	(17,003,250)	(87,500,000)
Purchase premium	-	(147,962)
Asset impairment	188,860	(636,699)
Share of income from Government Business Enterprise	24,726,704	55,718,745
Share of gain (loss) from interests in partnerships	631,739	(1,392,844)
	6,578,547	(36,288,546)
Excess (deficiency) of revenue over expenses	12,317,478	(31,977,260)
Accumulated operating surplus, beginning of year	37,128,353	69,105,613
Accumulated operating surplus, end of year	\$ 49,445,831	\$ 37,128,353

See accompanying notes to consolidated financial statements.

HENVEY INLET FIRST NATION

Exhibit C - Consolidated Statement of Changes in Net Financial Assets

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
Excess (deficiency) of revenue over expenses	\$ 12,317,478	\$ (31,977,260)
Acquisition of tangible capital assets	(12,513,963)	(7,310,101)
Amortization of capital assets	1,488,367	1,052,050
Acquisitions due to change in circumstances	-	(303,800)
Remeasurement gain on restricted assets	64,800	-
	1,356,682	(38,539,111)
Acquisition of prepaid expenses	(1,323,998)	(12,423)
Use of inventory	7,747	55,966
Change in net financial assets (debt)	40,431	(38,495,568)
Net financial assets, beginning of year	11,113,655	49,609,223
Net financial assets, end of year	\$ 11,154,086	\$ 11,113,655

See accompanying notes to consolidated financial statements.

HENVEY INLET FIRST NATION

Exhibit D - Consolidated Statement of Cash Flows

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
Cash flows from operating activities:		
Excess (deficiency) of revenue over expenses	\$ 12,317,478	\$ (31,977,260)
Adjustment for:		
Amortization of tangible capital assets	1,488,367	1,052,050
Asset impairment	-	636,699
Share of gain from Government Business Enterprises and non-controlled entities	<u>(25,358,443)</u>	<u>(54,325,901)</u>
	(11,552,598)	(84,614,412)
Cash flows from operating activities:		
Decrease (increase) in accounts receivable	1,193,008	(222,440)
Decrease in inventory	7,747	55,970
Increase in accounts payable and accrued liabilities	1,171,769	2,095,707
Increase (decrease) in deferred revenue	(124,365)	1,712,245
Increase in prepaid expenses	<u>(1,323,998)</u>	<u>(12,425)</u>
	(10,628,437)	(80,985,355)
Cash flows from capital activities:		
Acquisition of tangible capital assets	(12,513,963)	(7,310,101)
Cash flows from financing activities:		
Principal payments on long-term debt	(5,510,418)	(5,145,637)
Cash flows from investing activities:		
Increase in Restricted Assets Henvey Inlet First Nation		
Key Harbour Settlement Trust	28,503	(157,190)
Dividends from Government Business Enterprise	26,472,441	35,773,022
Repayment of Nigig Power Corporation note receivable	<u>-</u>	<u>106,591,653</u>
	26,500,944	142,207,485
Net increase (decrease) in cash	(2,151,874)	48,766,392
Cash, beginning of year	63,399,486	14,633,094
Cash, end of year	\$ 61,247,612	\$ 63,399,486
Cash is represented by:		
Cash	\$ 59,257,475	\$ 61,489,837
Restricted cash	1,990,137	1,909,649
	<u>\$ 61,247,612</u>	<u>\$ 63,399,486</u>

See accompanying notes to consolidated financial statements.

HENVEY INLET FIRST NATION

Exhibit E Consolidated Statement of Remeasurement Gains

Year ended March 31, 2023

	2023
Accumulated remeasurement gains, beginning of year	\$ -
Adjustment to accumulated remeasurement gains	301,451
Unrealized gains (losses) attributable to:	
Fixed income	(117,149)
Equity instruments	(60,559)
<u>Exchange loss</u>	<u>(4,572)</u>
	(182,280)
Realized gains attributable to:	
Equity instruments	(54,195)
<u>Exchange</u>	<u>(176)</u>
	(54,371)
Net remeasurement gains for the year	64,800
Accumulated remeasurement gains, end of year	\$ 64,800

See accompanying notes to consolidated financial statements.

HENVEY INLET FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2023

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, 2023

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.

HENVEY INLET FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2023

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) Financial instruments:

All financial instruments are initially recorded on the consolidated statement of financial position at fair value.

All investments held in equity instruments that trade in an active market are recorded at fair value. Management has elected to record investments at fair value as they are managed and evaluated on a fair value basis. Freestanding derivative instruments that are not equity instruments that are quoted in an active market are subsequently measured at fair value.

Unrealized changes in fair value are recognized in the consolidated statement of remeasurement gains and losses until they are realized, when they are transferred to the consolidated statement of operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

Where a decline in fair value is determined to be other than temporary, the amount of the loss is removed from accumulated remeasurement gains and losses and recognized in the consolidated statement of operations. On sale, the amount held in accumulated remeasurement gains and losses associated with that instrument is removed from net assets and recognized in the consolidated statement of operations.

Financial instruments are classified into fair value hierarchy Levels 1, 2 or 3 for the purposes of describing the basis of the inputs used to determine the fair market value of those amounts recorded a fair value, as described below:

Level 1	Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	Fair value measurements are those derived from market-based inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly
Level 3	Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data

HENVEY INLET FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2023

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.

In addition, the First Nation's implementation of the Public Sector Accounting Handbook PS3150 has required management to make estimates of historical cost and useful lives of tangible capital assets.

Actual results could differ from these estimates.

(h) Defined contribution plan:

The First Nation provides pension benefits under a defined contribution pension plan. The cost of the defined contribution plan is recognized based on the contributions required to be made during each year.

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 \$68,841 (2022 - \$46,909) 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 \$13,738 (2022 - \$16,383).

In accordance with the secured revenue trust account management agreement between the First Nation and the First Nations Finance Authority ("FNFA"), cash in the amount of \$1,921,296 (2022 - \$1,862,740) is restricted for principal and interest payments for long term debt owing to the FNFA.

HENVEY INLET FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2023

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:

	2023	2022
Balance, at beginning of year	\$ 51,452,260	\$ 31,506,538
Share of earnings	24,726,704	55,718,744
Dividends	(26,472,441)	(35,773,022)
 Balance, end of year	 \$ 49,706,523	 \$ 51,452,260

The following tables provide condensed supplementary financial information for the year ended March 31, 2023:

	2023	2022
 Financial position:		
Current assets	\$ 492,791	\$ 420,594
Other assets	64,255,168	56,147,614
 Total assets	 64,747,959	 56,568,208
 Liabilities	 15,041,436	 5,115,948
 Net assets	 \$ 49,706,523	 \$ 51,452,260

	2023	2022
 Results of operations:		
Revenue	\$ 193,310	\$ 26,389
Expenses	12,592,708	4,225,367
Share of equity in joint ventures	(37,126,102)	(59,917,722)
	(24,533,394)	(55,692,355)
 Net income	 \$ 24,726,704	 \$ 55,718,744

HENVEY INLET FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2023

4. Interests in non-controlled entities:

The following organizations are interests in non-controlled entities 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:

	2023	2022
Balance, at beginning of year	\$ 189,551	\$ 2,522,896
Share of gain (loss)	377,073	(1,392,858)
Impairment	—	(636,687)
Adjustments	254,666	(303,800)
 Balance, end of year	 \$ 821,290	 \$ 189,551

The following tables provide condensed supplementary financial information for the year ended December 31, 2023:

	2023	2022
 Financial Position:		
Current assets	\$ 335,606	\$ 441,507
Other assets	2,089,770	207,714
 Total assets	 2,425,376	 649,221
 Liabilities	 114,757	 271,406
 Net position	 \$ 2,310,619	 \$ 377,815

	2023	2022
 Results of operations:		
Revenue	\$ 589,577	\$ 775,100
Share of partnership income	1,419,881	—
	2,009,458	775,100
 Expenses	 878,283	 987,674
 Net income (loss)	 \$ 1,131,175	 \$ (212,574)

HENVEY INLET FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2023

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:

2023	Cost	Fair Market Value
Cash	\$ 43,218	\$ 43,218
Canadian fixed income	1,457,179	1,296,029
Canadian equities	723,292	812,225
Foreign equities	547,952	684,966
	\$ 2,771,641	\$ 2,836,438

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

HENVEY INLET FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2023

6. Tangible capital assets:

Cost	Balance at March 31, 2022	Additions	Adjustments and Transfers	Disposals	Balance at March 31, 2023
Land	\$ 2,259,345	\$ 100,000	\$ -	\$ -	\$ 2,359,345
Land improvements	640,432	-	-	-	640,432
Buildings	14,999,708	13,188	-	-	15,012,896
Roads infrastructure	1,920,064	-	-	-	1,920,064
Machinery and equipment	5,044,581	1,562,532	-	-	6,607,113
Furniture, computers and fixtures	349,326	138,545	-	-	487,871
Water infrastructure	5,353,709	33,623	-	-	5,387,332
Assets under construction	3,549,267	10,666,075	-	-	14,215,342
Total	\$ 34,116,432	\$ 12,513,963	\$ -	\$ -	\$ 46,630,395

Accumulated Amortization	Balance at March 31, 2022	Disposals	Adjustments and Transfers	Amortization	Balance at March 31, 2023
Land	\$ -	\$ -	\$ -	\$ -	\$ -
Land improvements	215,382	-	-	21,619	237,001
Buildings	3,031,229	-	-	483,521	3,514,750
Roads infrastructure	585,845	-	-	28,702	614,547
Machinery and equipment	2,150,881	-	-	784,907	2,935,788
Furniture, computers and fixtures	247,957	-	-	46,560	294,517
Water infrastructure	1,956,999	-	-	123,058	2,080,057
Assets under construction	-	-	-	-	-
Total	\$ 8,188,293	\$ -	\$ -	\$ 1,488,367	\$ 9,676,660

	Net book value, March 31, 2022	Net book value, March 31, 2023
Land	\$ 2,259,345	\$ 2,359,345
Land improvements	425,050	403,431
Buildings	11,968,472	11,498,146
Roads infrastructure	1,334,219	1,305,517
Machinery and equipment	2,893,762	3,671,325
Furniture, computers and fixtures	101,369	193,354
Water infrastructure	3,396,710	3,307,275
Assets under construction	3,549,267	14,215,342
Total	\$ 25,928,194	\$ 36,953,735

HENVEY INLET FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2023

6. Tangible capital assets (continued):

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	\$ -	\$ -	\$ 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	-	-	206,337	3,031,236
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	\$ -	\$ -	\$ 1,052,052	\$ 8,188,238
	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				11,968,472
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				\$ 25,928,194

HENVEY INLET FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2023

7. Deferred revenue:

	2023	2022
Indigenous Services Canada	\$ 1,692,899	\$ 2,450,388
Kinoomaadziwin Education Body	1,916,115	1,251,215
Trailer park fees	7,594	6,767
Other	155,904	188,507
	<hr/> \$ 3,772,512	<hr/> \$ 3,896,877

8. Long-term debt:

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

	2023	2022
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	\$ 99,370	\$ 117,172
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	296,470	319,767
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	181,330	193,272
Canada Mortgage and Housing Corporation mortgage payable \$1,734 monthly including principal and interest, bearing interest at 3.98% per annum, due November 1, 2037	231,363	244,112
Canada Mortgage and Housing Corporation mortgage payable \$742 monthly including principal and interest, bearing interest at 2.48% per annum, due August 1, 2043	142,723	148,033
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	96,983,064	102,422,382
	<hr/> \$ 97,934,320	<hr/> \$ 103,444,738

Principal repayments due are estimated as follows:

2024	\$ 4,959,295
2025	4,962,771
2026	4,964,273
2027	4,965,808
2028	4,967,374
Thereafter	73,114,799

HENVEY INLET FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2023

9. Accumulated surplus:

	2023	2022
Surplus:		
Invested in tangible capital assets	\$ 35,886,344	\$ 24,905,860
Operating	56,709,204	59,279,894
FNFA financing	(96,984,065)	(102,422,382)
Land claim	75,446	75,446
Unfinanced CMHC capital	(706,220)	(73,012)
	(5,019,291)	(18,234,194)
Reserves:		
Reserve funds set aside for specific purpose by Council	1,343,452	1,118,803
Committed reserves	208,945	208,945
	1,552,397	1,327,748
Government Business Enterprises and Partnerships:		
Nigig Power Corporation	49,706,524	51,452,261
Shwe Miikaan Limited Partnership	821,291	189,552
	50,527,815	51,641,813
Henvey Inlet First Nation Key Harbour Settlement Trust	2,384,910	2,392,986
Accumulated remeasurement gains	64,800	—
	\$ 49,510,631	\$ 37,128,353

10. Federal government funding:

	2023	2022
Add: Opening deferred ISC revenue	\$ 2,450,388	\$ 1,147,013
ISC funding per confirmation	4,514,916	5,648,768
Less: Ending deferred ISC revenue	(1,692,899)	(2,450,388)
Less: Prior year ISC Medical Centre relocation revenue	(197,356)	—
Add: ISC Medical Centre relocation revenue	229,308	197,356
Add: Justice Canada funding	105,625	144,375
Add: Other federal government funding	104,018	141,050
	\$ 5,514,000	\$ 4,828,174

HENVEY INLET FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2023

11. Gross revenues and expenses:

	2023	2022
Revenues:		
Revenue per consolidated statement of operations and accumulated surplus	\$ 20,694,419	\$ 19,902,684
Share of gain from Government Business Enterprises	24,726,704	55,718,745
Share of gain from interests in partnerships	631,739	–
Gross revenues	\$ 46,052,862	\$ 75,621,429
Expenses:		
Expenses per consolidated statement of operations and accumulated surplus	\$ 14,626,671	\$ 15,591,398
Promissory note expenditures	1,965,506	2,329,786
Contribution to Windfarm Legacy Trust	17,003,250	87,500,000
Purchase premium	–	147,962
Asset impairment	(188,860)	636,699
Share of loss from interests in partnerships	–	1,392,844
Gross expenses	\$ 33,406,567	\$ 107,598,689

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. As detailed in subsequent events note 17, the breach of contract claim has been settled subsequent to year end by NPC.
- (c) The First Nation is contingently liable for loan guarantees to various chartered banks in favour of individual Band members. The guarantees total \$394,912 (2022 - \$294,912) and the principle outstanding on the loans as of the consolidated financial statement date is \$283,609 (2022 - \$220,825).
- (d) The First Nation is involved in a certain legal matter and litigation, the outcome of which is not presently determinable. The loss, if any, from this litigation will be accounted for in the period in which the matter is resolved.

HENVEY INLET FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2023

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 2022 comparative information have been reclassified to conform to the presentation adopted in 2023.

15. Budget information:

Budget information was unavailable and has not been presented.

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) Market risk:

Market risk is the risk the value of future cash flows of a financial instrument will fluctuate as a result of market factors. All of the First Nation's financial instruments are carried at fair value with fair value changes recognized in the consolidated statement of operations and accumulated surplus and consolidated statement of remeasurement gains. Market risk is managed by the First Nation through construction of a diversified portfolio of instruments traded on various markets and across various industries.

c) Foreign currency risk:

Foreign currency risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The First Nation invests in financial instruments in various currency denominations and is therefore exposed to risk that the exchange rates of various currencies may change in a manner that has an adverse effect on the value of the First Nation's assets denominated in currencies other than the Canadian dollar.

d) Liquidity risk:

Liquidity risk is the risk that the First Nation will not be able to meet all of its cash outflow obligations as they come due. The First Nation mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining investments that may be converted to cash in the near-term if unexpected cash outflows arise. The terms of long-term debt are disclosed in note 8.

HENVEY INLET FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2023

17. Subsequent events:

On February 1, 2024, NPC entered into a settlement agreement requiring the entity to make a final settlement payment for the claim. A provision for the final settlement claim was recorded in the March 31st, 2023 NPC financial information.

18. Defined contribution plan:

The contributions to the defined contribution pension plan were \$97,234 (2022 - \$90,059). There have been no significant changes to the contribution plan during the period.

19. Changes in accounting policies:

a) Asset retirement obligations:

On April 1, 2022, the First Nation adopted the Public Accounting Standard PS 3280 - Asset Retirement Obligations. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in facilities. The standard was adopted on the modified retrospective basis at the date of adoption. Under the modified retrospective method, the assumptions used on initial recognition are those as of the date of adoption of the standard.

In accordance with the provisions of this new standard, the First Nation completed an analysis of all facilities, capital assets and determined there was no asset retirement obligations as of April 1, 2022.

e) Financial instruments:

On April 1, the First Nation adopted Public Accounting Standard PS 3450 - Financial Instruments. The standard was adopted prospectively from the date of adoption. The standard requires portfolio investments in equity instruments that are quoted in an active market to be measured at fair value. Unrealized changes in fair value are recognized in the consolidated statement of remeasurement gains and losses until they are realized, then, they are transferred to the consolidated statement of operations and accumulated operating surplus.

There were no opening adjustments required on adoption of this standard.

HENVEY INLET FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2023

20. 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, 2023

20. Segmented information (continued):

	General/Band Support	Health	Education	Social Assistance	Community Property	Pickerel Contracting Limited	Government Business Enterprise	Non-Controlled Entities	2023 Total
Revenue	\$ 13,569,959	2,129,580	1,617,012	559,573	2,071,129	418,349	-	-	\$ 20,365,602
Expenses:									
Salaries and benefits	1,991,076	614,717	150,922	61,030	105,433	668,719	-	-	3,591,897
Material supplies and subcontracts	2,383,370	314,940	74,797	41,091	2,009,268	1,063,837	-	-	5,887,303
Professional fees	1,885,321	106,887	-	-	23,847	23,589	-	-	2,039,644
Interest on long-term debt	1,965,506	-	-	-	21,059	-	-	-	1,986,565
Provincial Schools tuition	-	-	342,175	-	-	-	-	-	342,175
Expense recoveries	(204,275)	-	-	-	-	(1,509,223)	-	-	(1,713,498)
Program expenditures	313,121	971,885	950,813	465,170	227,566	25,023	-	-	2,953,578
Amortization of tangible capital assets	450,168	71,013	23,192	-	942,422	1,627	-	-	1,488,422
	8,784,287	2,079,442	1,541,899	567,291	3,329,595	273,572	-	-	16,576,086
Contribution to Windfarm Legacy Trust	-	-	-	-	-	-	(16,830,481)	-	(16,830,481)
Share of income from Government Business Enterprise and non-controlled entities	-	-	-	-	-	-	24,726,704	631,739	25,358,443
Excess (deficiency) of revenue over expenses	\$ 4,785,672	50,138	75,113	(7,718)	(1,258,466)	144,777	7,896,223	631,739	\$ 12,317,478

HENVEY INLET FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2023

20. Segmented information (continued):

	General/Band Support	Health	Education	Social Assistance	Community Property	Pickerel Contracting Limited	Government Business Enterprise	Non-Controlled Entities	2022 Total
Revenue	\$ 13,586,291	1,606,988	1,296,350	481,779	2,419,460	511,816	-	-	\$ 19,902,684
Expenses:									
Salaries and benefits	1,910,492	693,583	142,315	61,562	90,526	622,344	-	-	3,520,822
Material supplies and subcontracts	1,032,472	275,383	87,715	57,063	826,769	1,451,647	-	-	3,731,049
Professional fees	2,294,223	18,016	-	-	15,355	11,936	-	-	2,339,530
Interest on long-term debt	2,329,786	-	-	-	11,176	-	-	-	2,340,962
Provincial Schools tuition	-	-	860,642	-	-	-	-	-	860,642
Expense recoveries	(204,275)	-	-	-	-	(1,442,641)	-	-	(1,646,916)
Program expenditures	4,144,724	769,406	208,581	363,153	224,041	13,068	-	-	5,722,973
Amortization of tangible capital assets	377,418	77,574	10,706	-	586,410	14	-	-	1,052,122
	11,884,840	1,833,962	1,309,959	481,778	1,754,277	656,368	-	-	17,921,184
Contributions to Windfarm Legacy Trust	-	-	-	-	-	-	(87,500,000)	-	(87,500,000)
Purchase Premium	-	-	-	-	-	-	-	(147,962)	(147,962)
Asset impairment	-	-	-	-	-	-	-	(636,699)	(636,699)
Share of income (loss) from Government Business Enterprise and non-controlled entities	-	-	-	-	-	-	55,718,745	(1,392,844)	54,325,901
Excess (deficiency) of revenue over expenses	\$ 1,701,451	(226,974)	(13,609)	1	665,183	(144,552)	(31,781,255)	(2,177,505)	\$ (31,977,260)