

Aroland First Nation
Consolidated Financial Statements
For the year ended March 31, 2023

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Aroland First Nation Management's Responsibility for the Consolidated Financial Statements

March 31, 2023

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

These consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board. Management is responsible 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.

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

The external auditors, BDO Canada LLP, conduct an audit, in accordance with Canadian generally accepted auditing standards, and express their opinion on the consolidated financial statements. BDO Canada LLP have access to financial management of Aroland First Nation and meet when required.

On behalf of Aroland First Nation:



Chief

Councillor

Independent Auditor's Report

To Chief & Council of Aroland First Nation

Qualified Opinion

We have audited the consolidated financial statements of Aroland First Nation, and its entities (the First Nation), which comprise the consolidated statement of financial position as at March 31, 2023, and the consolidated statements of operations and accumulated surplus, changes in net financial assets and the cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters discussed in the Basis for Qualified Opinion paragraph, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the First Nation as at March 31, 2023, and the consolidated results of its operations, consolidated changes in net financial assets and consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

The First Nation was unable to obtain information about investments in various entities. Accordingly, verification of investments held by the First Nation was limited to the amounts recorded in the records of the First Nation. Therefore, we were not able to determine whether any adjustments might be necessary to income from investments, annual surplus or deficit and cash flows from investing transactions for the years ended March 31, 2023 and 2022, financial assets as at March 31, 2023 and 2022 and accumulated surplus as at April 1 and March 31 for both the 2023 and 2022 years.

Section 1200, Financial Statement Presentation, of Public Sector Accounting Board Handbook requires the disclosure of budgeted information. The First Nation has not prepared or approved consolidated budgets. As a result, we are unable to present budgeted information on the consolidated financial statements for the years ended March 31, 2023 and 2022.

Our audit opinion on the financial statements for the year ended March 31, 2023 was modified accordingly because of the possible effects of these limitations in scope.

Effective April 1, 2022, the First Nation was required to adopt PS 3280 Asset Retirement Obligations which requires the recognition of legal obligations associated with the retirement of tangible capital assets by public sector entities. Under the modified retroactive application method, the asset retirement obligation on transition is to be recorded using assumptions as of April 1, 2022. The corresponding asset retirement cost is added to the carrying value of the related tangible capital assets adjusted for amortization since the time the legal obligation was incurred. The net adjustment is charged to accumulated surplus. Comparative figures are to be restated to reflect this change in accounting policy. Management has not completed its assessment of the tangible capital assets for potential asset retirement obligations. As a result, it is not possible to quantify the impact of this departure from Canadian public sector accounting standards on expenses and annual surplus for the years ended March 31, 2023 and 2022, tangible capital assets and the asset retirement obligation as at March 31, 2023 and 2022, and accumulated surplus as at April 1 and March 31 for both the 2023 and 2022 years.

Independent Auditor's Report (cont'd)

Basis for Qualified Opinion (cont'd)

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the First Nation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical 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 qualified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 these consolidated 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 risks of material misstatement of the consolidated 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, intentional omissions, misrepresentations, or the override of internal control.

Independent Auditor's Report (cont'd)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (cont'd)

- 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 purpose 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 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the First Nation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Thunder Bay, Ontario
March 1, 2024

Aroland First Nation

Consolidated Statement of Financial Position

March 31	2023	2022
Financial assets		
Cash (Note 2)	\$ 17,172,968	\$ 12,624,074
Accounts receivable (Note 3)	946,232	1,047,645
Due from government organizations (Note 4)	2,354,083	1,785,903
Trust funds held by federal government (Note 5)	134,025	130,732
Portfolio investments (Note 6)	163,545	193,545
	<u>20,770,853</u>	<u>15,781,899</u>
Liabilities		
Accounts payable and accrued liabilities (Note 7)	1,762,326	1,882,885
Due to government organizations (Note 8)	1,171,614	573,063
Deferred revenue (Note 9)	10,888,416	7,762,963
Obligation under capital lease (Note 11)	51,312	135,449
Long term debt (Note 10)	1,908,191	2,323,031
	<u>15,781,859</u>	<u>12,677,391</u>
Net financial assets	<u>4,988,994</u>	<u>3,104,508</u>
Non-financial assets		
Prepaid expenses	61,824	35,481
Tangible capital assets (Note 12)	14,608,726	14,399,967
	<u>14,670,550</u>	<u>14,435,448</u>
Accumulated surplus (Note 13)	<u>\$ 19,659,544</u>	<u>\$ 17,539,956</u>

On behalf of the Band:

 _____ Chief

 _____ Councillor

The accompanying notes are an integral part of these consolidated financial statements.

Aroland First Nation Consolidated Statement of Operations and Accumulated Surplus

For the year ended March 31	2023	2022
Revenue		
Federal government transfers (Note 17)	\$ 8,594,458	\$ 8,624,422
Provincial government transfers (Note 17)	2,739,836	2,282,894
Miscellaneous (Note 20)	2,291,645	1,520,852
Rent	183,740	159,100
Investment income	11,250	11,250
	13,820,929	12,598,518
Expenses (Note 21)		
Administration	454,590	440,527
Social services	1,763,828	1,556,419
Health services	2,370,792	2,302,556
Education	3,620,038	3,842,164
Economic development	701,723	792,804
Capital and operations and maintenance programs	1,823,299	2,058,224
Other programs	1,092,695	709,040
	11,826,965	11,701,734
Annual surplus before undernoted	1,993,964	896,784
Gain on disposal of portfolio investments	135,000	-
Loss on disposal of tangible capital assets	(9,376)	(443)
Annual surplus	2,119,588	896,341
Accumulated surplus, beginning of year	17,539,956	16,643,615
Accumulated surplus, end of year	\$ 19,659,544	\$ 17,539,956

The accompanying notes are an integral part of these consolidated financial statements.

Aroland First Nation

Consolidated Statement of Changes in Net Financial Assets

For the year ended March 31	2023	2022
Annual surplus	\$ 2,119,588	\$ 896,341
Acquisition of tangible capital assets	(1,007,143)	(1,370,188)
Amortization of tangible capital assets	789,008	832,599
Proceeds on disposal of tangible capital assets	-	27,500
Loss on disposal of tangible capital assets	9,376	443
Prepaid expenses	(26,343)	(21,496)
Net change in net financial asset	1,884,486	365,199
Net financial assets, beginning of year	3,104,508	2,739,309
Net financial assets, end of year	\$ 4,988,994	\$ 3,104,508

The accompanying notes are an integral part of these consolidated financial statements.

Aroland First Nation Consolidated Statement of Cash Flows

For the year ended March 31	2023	2022
Cash flows from operating activities		
Annual surplus	\$ 2,119,588	\$ 896,341
Items not involving cash:		
Amortization	789,008	832,599
Loss on disposal of tangible capital assets	9,376	443
Gain on disposal of portfolio investments	(135,000)	-
Noront Resources Ltd. non-cash receipt of investments	-	(30,000)
	2,782,972	1,699,383
Increase (decrease) in non-cash working capital items:		
Accounts receivable	101,413	(542,143)
Due from government organizations	(568,180)	(1,120,931)
Prepaid expenses	(26,343)	(21,496)
Accounts payable and accrued liabilities	(120,559)	484,092
Due to government organizations	598,551	152,995
Deferred revenue	3,125,453	3,432,491
	5,893,307	4,084,391
Cash used in financing activities		
Repayment of long term debt	(414,840)	(254,486)
Repayment of obligations under capital lease	(84,137)	(75,240)
	(498,977)	(329,726)
Cash used in capital activities		
Purchase of tangible capital assets	(1,007,143)	(1,001,805)
Cash from (used in) investment activities		
Increase in trust assets	(3,293)	(2,034)
Proceeds from sale of portfolio investments	165,000	-
	161,707	(2,034)
Net increase in cash during the year	4,548,894	2,750,826
Cash, beginning of year	12,624,074	9,873,248
Cash, end of year	\$ 17,172,968	\$ 12,624,074

The accompanying notes are an integral part of these consolidated financial statements.

Aroland First Nation

Notes to Consolidated Financial Statements

March 31, 2023

1. Significant Accounting Policies

Basis of Accounting	These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board.
Reporting Entity	The Aroland First Nation reporting entity includes the Aroland First Nation government and all related entities that are controlled by the First Nation.
Basis of Consolidation	<p>All controlled entities are fully consolidated on a line-by-line basis except for commercial enterprises which meet the definition of a government business enterprise, which are included in the consolidated financial statements on a modified equity basis. Inter-organizational balances and transactions are eliminated upon consolidation.</p> <p>Under the modified equity method of accounting, only Aroland First Nation's investment in the government business enterprise and the First Nation's portion of the enterprise's net income and other changes in equity are recorded. No adjustment is made for accounting policies of the enterprise that are different from those of Aroland First Nation and inter-organizational balances and transactions are not eliminated.</p> <p>Organizations consolidated in Aroland First Nation's financial statements include:</p> <ul style="list-style-type: none"> • 1648973 Ontario Inc. (inactive) • 1670719 Ontario Inc. (inactive) • 1796651 Ontario Inc. (inactive) • Aroland Education Authority (inactive) • Aroland Industrial LP (inactive)
Cash and Cash Equivalents	Cash and cash equivalents consist of cash on hand, bank balances and term deposits having a maturity of three months or less, and bank overdrafts.

Aroland First Nation

Notes to Consolidated Financial Statements

March 31, 2023

1. Significant Accounting Policies (cont'd)

Tangible Capital Assets

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset.

Amortization is provided for on a declining balance basis as follows:

Automotive and vehicles	- 30%
Buildings and housing	- 4%
Computer equipment	- 45-50%
General and heavy equipment	- 20%
Infrastructure, roads and fire protection	- 4%
Sewer system equipment	- 4%
Small tools	- 100%

Tangible capital assets are written down when conditions indicate that they no longer contribute to the First Nation's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value.

The net write-downs are accounted for as expenses in the consolidated statement of operations.

Contributed capital assets are recorded into revenues at their fair value on the date of donation, except in circumstances where fair value cannot be reasonably determined, in which case they are recognized at nominal value. Transfers of capital assets from related parties are recorded at carrying value.

Certain assets which have historical or cultural value, including works of art, historical documents and historical and cultural artifacts, are not recognized as tangible capital assets.

Assets under construction are not amortized until the asset is available to be put into service.

Aroland First Nation

Notes to Consolidated Financial Statements

March 31, 2023

1. Significant Accounting Policies (cont'd)

Leased Tangible Capital Assets

A lease that transfers substantially all of the benefits and risks of ownership to the lessee is recorded as a tangible capital asset and the incurrence of a lease obligation. At inception, a tangible capital asset and an obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments, excluding executory costs, and the leased property's fair value at the beginning of the lease. The discount rate used to determine the present value of the lease payments is the lower of the First Nation's rate for incremental borrowing or the interest rate implicit in the lease. Leased tangible capital assets are amortized on a declining balance basis over the economic life of the leased property as follows:

Automotive and vehicles	- 30%
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Revenue Recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis.

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Contributions, other than government transfers, are deferred when restrictions are placed on their use by the external contributor, and are recognized as revenue when used for the specific purpose.

Revenue related to fees or services received in advance of the fee being earned or the service is performed is deferred and recognized when the fee is earned or service performed.

Aroland First Nation Notes to Consolidated Financial Statements

March 31, 2023

1. Significant Accounting Policies (cont'd)

Financial Instruments

Cash and equity instruments quoted in an active market are measured at fair value. Accounts receivable, portfolio investments, accounts payable, and long-term debt are measured at cost or amortized cost. The carrying amount of each of these financial instruments is presented on the statement of financial position.

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations. Interest and dividends attributable to financial instruments are reported in the statement of operations.

When investment income and realized and unrealized gains and losses from changes in the fair value of financial instruments are externally restricted, the investment income and fair value changes are recognized as revenue in the period in which the resources are used for the purpose specified.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations.

Transaction costs are added to the carrying value for financial instruments measured using cost or amortized cost. Transaction costs are expensed for financial instruments measured at fair value.

Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. The principal estimates used in the preparation of these financial statements are the useful lives of tangible capital assets, deferred revenue and accounts payable and accrued liabilities. Actual results could differ from management's best estimates as additional information becomes available in the future.

Aroland First Nation

Notes to Consolidated Financial Statements

March 31, 2023

2. Cash

	2023	2022
Petty cash	\$ 1,008	\$ 1,008
General (Financial Advisor)	4,941,098	5,158,420
General (First Nation)	6,101,408	3,649,321
Tikinagan	236,840	164,010
Health Authority	2,457,382	701,871
Recreation	1,013,093	1,001,753
Ontario Works	1,064,158	808,965
Ontario First Nation Limited Partnership	795,729	660,545
CMHC - Operating	187,684	153,414
CMHC - Operating Reserve	206,902	176,937
CMHC - Replacement Reserve	148,024	128,059
1796651 Ontario Inc.	19,642	19,771
	\$ 17,172,968	\$ 12,624,074

The First Nation has available an operating line of credit of \$50,000 with the Royal Bank of Canada, incurring interest at the bank's prime lending rate plus 3.5% (6.70% per annum at year end). At March 31, 2023, the First Nation had utilized \$NIL (2022 - \$NIL) on this line of credit.

There is a bank overdraft facility available on the Ontario Works account of \$50,000 with the Royal Bank of Canada, incurring interest at the bank's prime lending rate plus 5.0% (8.20% per annum at year end). At March 31, 2023, the balance outstanding is \$NIL (2022 - \$NIL).

Both facilities are secured by a general security agreement as well as a specific security interest on certain heavy equipment owned by the First Nation.

Included in the total cash balance are externally restricted and unrestricted balances as follows:

	2023	2022
CMHC replacement reserve	\$ 148,024	\$ 128,059
Unrestricted	17,024,944	12,496,015
	\$ 17,172,968	\$ 12,624,074

Aroland First Nation

Notes to Consolidated Financial Statements

March 31, 2023

3. Accounts Receivable

	2023	2022
Due from members:		
Advances	\$ 5,200	\$ 5,200
Other	283,333	283,333
	<u>288,533</u>	<u>288,533</u>
General receivables	1,039,932	1,141,345
	<u>1,328,465</u>	<u>1,429,878</u>
Less: allowance for doubtful accounts	(382,233)	(382,233)
	<u>\$ 946,232</u>	<u>\$ 1,047,645</u>

4. Due from Government Organizations

	2023	2022
Federal government		
Indigenous Services Canada	\$ 1,564,311	\$ 1,666,796
Canadian Environmental Assessment Agency	22,050	22,050
Canada Mortgage and Housing Corporation	10,813	10,813
Fednor	33,805	-
Infrastructure Canada	61,137	-
Receiver General	22,685	-
Provincial government		
Ministry of Children, Community and Social Services	4,745	67,890
Ministry of Natural Resources and Forestry	110,647	2,521
Ministry of Mines and Ministry of Northern Development	522,074	37,883
NOHFC	23,866	-
	<u>2,376,133</u>	<u>1,807,953</u>
Less: allowance for doubtful accounts	(22,050)	(22,050)
	<u>\$ 2,354,083</u>	<u>\$ 1,785,903</u>

Aroland First Nation

Notes to Consolidated Financial Statements

March 31, 2023

5. Trust Funds Held by Federal Government

	March 31, 2022	Additions 2023	Withdrawals 2023	March 31, 2023
Revenue	\$ 118,777	\$ 3,293	\$ -	\$ 122,070
Capital	11,955	-	-	11,955
	<u>\$ 130,732</u>	<u>\$ 3,293</u>	<u>\$ -</u>	<u>\$ 134,025</u>

The trust funds arise from monies derived from capital or revenue sources as outlined in Section 62 of the *Indian Act*. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the *Indian Act*.

6. Portfolio Investments

	Ownership Percentage	2023	2022
Landmark Inn Limited Partnership	11%	\$ 147,000	\$ 147,000
Landmark Inn General Partner Limited	11%	3,000	3,000
Landmark Inn Leasing Corporation	11%	3	3
Ne-Daa-Kii-Me-Naan Inc.	14%	10	10
Agoke Development, LP	33%	3,333	3,333
Ginoogam Development Corporation	33%	100	100
Ginoogam Development, LP	33%	3,333	3,333
Kenogamisis Energy GP Corporation	25%	25	25
Kenogamisis Energy LP	25%	250	250
Minodahmun Development LP & Minodahmun Development Inc.	33%	1	1
Loan to Landmark Inn Limited Partnership		6,490	6,490
Noront Resources Ltd.		-	30,000
		<u>\$ 163,545</u>	<u>\$ 193,545</u>

7. Accounts Payable and Accrued Liabilities

	2023	2022
Trade payables and other accrued liabilities	\$ 1,511,420	\$ 1,601,615
Accrued wages and benefits payable	84,906	107,270
Due to minors	<u>166,000</u>	<u>174,000</u>
	<u>\$ 1,762,326</u>	<u>\$ 1,882,885</u>

Aroland First Nation

Notes to Consolidated Financial Statements

March 31, 2023

7. Accounts Payable and Accrued Liabilities (cont'd)

As part of the 2020 Greenstone Gold Mine execution payment, there was a one time "per capita" distribution to members of \$1,000. For those members who were under the age of 18 at the date of the distribution, these monies are held by Aroland First Nation until such time the member reaches the age of 18. These monies will be distributed to the members as they achieve the age of 18. \$13,000 is expected to be distributed within one year.

8. Due to Government Organizations

	2023	2022
Indigenous Services Canada	\$ 414,441	\$ 556,630
Ministry of Health and Long Term Care	101,254	14,670
Ministry of Children, Community and Social Services	114,424	-
Ministry of Education	496,704	-
Ministry of Indigenous Affairs	44,791	-
Receiver General	-	1,763
	<u>\$ 1,171,614</u>	<u>\$ 573,063</u>

9. Deferred Revenue

	2023	2022
Canadian Mortgage Housing Corporation	\$ 683,540	\$ 784,040
Indigenous Services Canada	9,984,772	6,421,489
Infrastructure Ontario	24,926	-
Matawa First Nation Management	106,217	20,915
Ministry of Education - Journey Together	-	456,494
Ministry of Indigenous Affairs	-	2,986
Ministry of Mines and Ministry of Northern Development	56,037	70,966
Ministry of Natural Resources and Forestry	6,826	-
Canadian Environmental Assessment	20,025	-
Other	6,073	6,073
	<u>\$ 10,888,416</u>	<u>\$ 7,762,963</u>

Aroland First Nation Notes to Consolidated Financial Statements

March 31, 2023

10. Long Term Debt

	2023	2022
Royal Bank of Canada		
Demand term loan repayable at \$14,535 monthly including interest at 3.5%, maturing October 2023, secured by a general security agreement, and an assignment of distributions from OFNLP General Partnership Limited and/or the Ontario First Nations (2008) Limited Partnership.	\$ 101,165	\$ 345,292
Canada Mortgage and Housing Corporation		
Housing Loan #1, repayable at \$4,978 monthly including interest at 3.12%, maturing April 2038, secured by a ministerial guarantee from Indigenous and Services Canada and a first mortgage on 7-housing units with a net book value of \$841,474.	720,530	759,714
Housing Loan #2, repayable at \$5,860 monthly including interest at 1.91%, maturing May 2039, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on 8-housing units with a net book value of \$1,022,445.	979,474	1,030,737
Brandt Tractor		
Term Loan, repayable at \$6,689 monthly including interest at 0%, maturing July 2024, secured by specific assets with a net book value of \$291,737.	107,022	187,288
	1,908,191	2,323,031
Less current portion	268,000	185,000
	\$ 1,640,191	\$ 2,138,031

Anticipated annual principal payments due in the next five years and thereafter are as follows:

Year	Amount
2024	\$ 268,000
2025	119,000
2026	94,000
2027	97,000
2028	99,000
Thereafter	1,231,191
	\$ 1,908,191

Aroland First Nation Notes to Consolidated Financial Statements

March 31, 2023

11. Obligation Under Capital Lease

	2023	2022
RBC School Bus Lease		
Lease #2, repayable at \$2,929 monthly including interest at 3.41% annually, maturing at September 2024, secured by a general security agreement as well as a specific security interest on certain vehicles with a net book value of \$36,136.	\$ 51,312	\$ 84,094
Term Lease	-	51,355
	<u>\$ 51,312</u>	<u>\$ 135,449</u>

Future minimum lease payments under the capital leases for subsequent years are as follows:

Year	Amount
2024	35,143
2025	17,572
	<u>\$ 52,715</u>
Less: imputed interest	1,403
	<u>\$ 51,312</u>

Aroland First Nation
Notes to Consolidated Financial Statements

For the year ended March 31, 2023

12. Tangible Capital Assets

	Cost				Accumulated Amortization				2023 Net Book Value	2022 Net Book Value
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Amortization	Disposals	Closing Balance		
Housing	\$ 6,989,365	\$ -	\$ -	\$ 6,989,365	\$ 4,398,158	\$ 103,648	\$ -	\$ 4,501,806	\$ 2,487,559	\$ 2,591,207
CMHC housing	2,784,382	-	-	2,784,382	842,799	77,663	-	920,462	1,863,920	1,941,583
Four-Plex building	300,737	-	-	300,737	169,273	5,259	-	174,532	126,205	131,464
Water systems	1,356,100	-	-	1,356,100	855,301	20,032	-	875,333	480,767	500,799
Water system equipment	3,657	-	-	3,657	3,657	-	-	3,657	-	-
Sewer system	1,577,064	-	-	1,577,064	1,064,122	20,518	-	1,084,640	492,424	512,942
Roads	537,504	-	-	537,504	358,128	7,175	-	365,303	172,201	179,376
Works garage	289,196	-	-	289,196	195,135	3,762	-	198,897	90,299	94,061
Office equipment	76,487	-	-	76,487	76,487	-	-	76,487	-	-
Heavy equipment	1,023,008	-	-	1,023,008	575,393	89,523	-	664,916	358,092	447,615
Youth centre	134,126	-	-	134,126	74,098	2,401	-	76,499	57,627	60,028
Furniture and equipment	765,223	261,115	-	1,026,338	632,202	78,827	-	711,029	315,309	133,021
Computer equipment	105,366	-	-	105,366	105,366	-	-	105,366	-	-
Temporary classrooms	944,309	-	-	944,309	521,686	16,905	-	538,591	405,718	422,623
Infrastructure	203,644	-	-	203,644	116,000	3,506	-	119,506	84,138	87,644
Automotive	1,064,568	-	(55,788)	1,008,780	915,908	41,786	46,412	911,282	97,498	148,660
Housing renovation	1,038,385	-	-	1,038,385	414,997	24,935	-	439,932	598,453	623,388
Administration building	309,055	-	-	309,055	196,212	4,513	-	200,725	108,330	112,843
Tikinagan building	302,136	-	-	302,136	152,765	5,975	-	158,740	143,396	149,371
Rink/storage building	88,736	-	-	88,736	56,411	1,293	-	57,704	31,032	32,325
Buses	175,270	251,608	-	426,878	175,270	36,987	(128,320)	340,577	86,301	-
Water system and fire protection upgrade	748,939	-	-	748,939	334,491	16,578	-	351,069	397,870	414,448
School	7,290,072	-	-	7,290,072	3,247,337	161,709	-	3,409,046	3,881,026	4,042,735
INAC duplex	902,217	374,540	-	1,276,757	135,922	45,634	-	181,556	1,095,201	766,295
Cabins	144,000	-	-	144,000	21,694	4,892	-	26,586	117,414	122,306
Leased tangible capital assets	378,192	-	(251,608)	126,584	203,278	15,487	128,320	90,445	36,139	174,914
Assets under construction	710,319	371,488	-	1,081,807	-	-	-	-	1,081,807	710,319
	\$ 30,242,057	\$ 1,258,751	\$ (307,396)	\$ 31,193,412	\$ 15,842,090	\$ 789,008	\$ 46,412	\$ 16,584,686	\$14,608,726	\$ 14,399,967

Aroland First Nation Notes to Consolidated Financial Statements

March 31, 2023

13. Accumulated Surplus

	2023	2022
Unrestricted		
General surplus	\$ 19,156,381	\$ 17,172,060
Internally restricted		
Ontario First Nation Limited Partnership	503,163	367,896
Accumulated surplus	\$ 19,659,544	\$ 17,539,956

14. Ontario First Nation Limited Partnership Reserve

	2023	2022
Balance, beginning of the year	\$ 367,896	\$ 441,488
Increased by:		
OFNLP distributions	595,153	420,110
Decreased by:		
Expenses	(459,886)	(493,702)
Balance, end of year	\$ 503,163	\$ 367,896

15. Comparative Figures

Certain of the comparative figures presented in the consolidated financial statements have been reclassified to conform with the current year's presentation.

16. Contingencies

In the normal course of operations, the First Nation becomes involved in legal actions. Some of these potential liabilities may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded on the First Nation's consolidated financial statements.

Claims are currently outstanding against the First Nation. The outcome of the claims are not yet determinable, and accordingly, no provision has been made in these consolidated financial statements with respect to these matters. Any loss with respect to the claims will be recorded as an expense of the period in which the loss becomes likely and the amount is measurable.

Aroland First Nation

Notes to Consolidated Financial Statements

March 31, 2023

16. Contingencies (cont'd)

On December 22, 2021, the Courts approved a settlement between Canada and certain First Nations, including Aroland First Nation, and their members who were subject to a drinking water advisory that lasted at least one year between November 20, 1995, and June 20, 2021.

As part of the settlement, the First Nation received \$500,000 during the year, and is also eligible to receive additional payments, equal to 50% of the total Individual damages paid to Band members who ordinarily resided in the community. Realization of this contingent asset is dependent upon the number of and value of individual community member claims. Contingent assets are not recorded in these financial statements. These additional payments are expected to begin 2024.

17. Government Transfers

	Operating	Capital	2023 Total	Operating	Capital	2022 Total
Federal						
Indigenous Services Canada	\$ 8,295,508	\$ -	\$ 8,295,508	\$ 8,437,053	\$ -	\$ 8,437,053
Canada Mortgage and Housing Corporation	293,975	-	293,975	187,369	-	187,369
Canadian Environmental Assessment Agency	4,975	-	4,975	-	-	-
	<u>8,594,458</u>	<u>-</u>	<u>8,594,458</u>	<u>8,624,422</u>	<u>-</u>	<u>8,624,422</u>
Provincial						
Ministry of Children, Community and Social Services	1,584,476	-	1,584,476	1,620,915	-	1,620,915
Ministry of Education	46,064	-	46,064	-	-	-
Ministry of Health and Long-Term Care	72,445	-	72,445	157,789	-	157,789
Ministry of Indigenous Affairs	175,945	-	175,945	155,303	-	155,303
Ministry of Natural Resources and Forestry	280,893	-	280,893	-	-	-
Ministry of Mines and Ministry of Northern Development	580,013	-	580,013	348,887	-	348,887
	<u>2,739,836</u>	<u>-</u>	<u>2,739,836</u>	<u>2,282,894</u>	<u>-</u>	<u>2,282,894</u>
	<u>\$ 11,334,294</u>	<u>\$ -</u>	<u>\$ 11,334,294</u>	<u>\$10,907,316</u>	<u>\$ -</u>	<u>\$10,907,316</u>

18. Pension Plan

The First Nation has a defined contribution plan for eligible employees. The First Nation matches employee contributions of 5% of the employee's salary. As a defined contribution plan, the First Nation has no further liability or obligation for future contributions to fund future benefits to plan members. The First Nation contributed \$128,224 during the year (2022 - \$148,825).

Aroland First Nation Notes to Consolidated Financial Statements

March 31, 2023

19. Financial Instruments

The First Nation is exposed to credit risk, liquidity risk and interest rate risk from its financial instruments. This note describes the First Nation's objectives, policies and processes for managing those risks and the methods used to measure them. Further qualitative and quantitative information in respect of these risks is presented below and throughout these financial statements.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for another party by failing to discharge an obligation. The First Nation is exposed to credit risk from its accounts receivable and due from government balances. The First Nation mitigates its potential credit risk through proactive credit management policies that include approval and monitoring processes. Furthermore, it evaluates the collectability of accounts receivable and records an impairment allowance for doubtful accounts, which reduces the receivables to the amount management believes will be collected. At year end, The First Nation's accounts receivable and due from government are as follows: current \$2,147,240 (\$1,930,433 - 2022), 31 to 60 days \$16,516 (\$Nil - 2022), 61 to 90 days \$17,945 (\$53,453 - 2022), and over 90 days \$1,522,898 (\$1,253,945 - 2022).

The Corporation is exposed to a credit risk as cash balances held with one institution exceeds the federally insured limit.

Liquidity Risk

Liquidity risk is the risk that the First Nation will encounter difficulty in meeting obligations associated with financial liabilities. The First Nation is exposed to liquidity risk through its accounts payable and long-term debt. The First Nation manages its liquidity risk by monitoring cash activities and expected outflows through budgeting. The First Nation measures its exposure to liquidity risk based on its cash flow activities against budget throughout the year.

Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The First Nation is exposed to interest rate risk through its long-term debt and operating lines.

The First Nation manages its interest rate risk by utilizing fixed-rate long term in order to limit the exposure to fluctuations in interest rates. Any changes in interest rates would not impact the annual surplus.

Aroland First Nation Notes to Consolidated Financial Statements

March 31, 2023

20. Miscellaneous Revenue

	2023	2022
Ontario First Nation Limited Partnership	\$ 595,153	\$ 418,875
Matawa First Nation Management	198,453	290,103
Nishnawbe Aski Nation	190,771	229,893
Greenstone Gold	224,450	201,053
First Nations Drinking Water Settlement	500,000	-
Methadone Clinic	82,143	82,143
Interest	147,628	29,796
Other	353,047	268,989
	\$ 2,291,645	\$ 1,520,852

21. Segmented Information

Aroland First Nation provides a range of services to its members. For management reporting purposes, operations and activities are organized and reported by Program. Programs were created for the purpose of recording specific activities to attain certain objectives in accordance with specific regulations, restrictions or limitations. The services are provided by several entities of Aroland First Nation. The activities can also be categorized into segments. The following segments have been identified and as such are separately disclosed.

Administration

Administration contains activities that are needed to run the Aroland First Nation organization.

Social Services

Social Services contains activities that provide financial support or support by other means to band members that are aimed at developing both the individual as well as the community.

Health Services

Health Services contains activities that provide medical services to band members.

Education

Education Services contains activities that provide education to band members for primary, secondary schooling and sponsorship to attend post secondary institutions.

Aroland First Nation Notes to Consolidated Financial Statements

March 31, 2023

21. Segmented Information (cont'd)

Economic Development

Economic Development contains all the activities that provide maintenance to the community and its infrastructure including road maintenance, sewer and water, community buildings and public utilities.

Capital and Operations and Maintenance Programs

Capital and Operations and Maintenance Programs contains activities in delivering capital and community service programs.

Other Programs

Other Programs contains activities of all other programs.

For each segment separately reported, the segment revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The presentation by segment is based on the same accounting policies as described in the summary of significant accounting policies as described in Note 1. The segment results for the period are as follows:

Aroland First Nation Notes to Consolidated Financial Statements

March 31, 2023

21. Segmented Information (cont'd)

For the year ended March 31	Administration	Social Services	Health Services	Education	Economic Development	Capital and O&M Programs	Other Programs	2023 Total
Revenue								
Federal government transfers	\$ 623,160	\$ 293,126	\$ 2,045,949	\$ 3,767,381	\$ 307,726	\$ 1,445,354	\$ 111,762	\$ 8,594,458
Provincial government transfers	-	1,461,801	72,445	46,064	252,736	136,637	770,153	2,739,836
Miscellaneous	1,584,312	8,901	247,503	53,747	91,282	81,450	224,450	2,291,645
Rental	-	-	-	-	-	183,740	-	183,740
Investment income	11,250	-	-	-	-	-	-	11,250
	<u>2,218,722</u>	<u>1,763,828</u>	<u>2,365,897</u>	<u>3,867,192</u>	<u>651,744</u>	<u>1,847,181</u>	<u>1,106,365</u>	<u>13,820,929</u>
Expenses								
Administration	(901,125)	-	316,289	396,740	66,482	71,256	50,358	-
Advertising	899	-	-	-	-	-	-	899
Amortization	141,436	-	4,892	52,473	2,401	587,805	-	789,007
Bank charges and interest	11,518	2,409	827	515	74	594	-	15,937
Contract services	295,376	108,447	325,954	348,542	253,897	193,918	24,571	1,550,705
Donations	4,450	-	-	-	-	-	-	4,450
Dues, fees and licenses	15,568	4,080	801	10,631	-	1,152	-	32,232
Equipment	-	-	-	5,813	-	1,207	-	7,020
Freight	2,229	-	45,682	1,398	182	734	274	50,499
Fuel and oil	12,741	-	78,589	30,785	92	26,973	332	149,512
Honoraria	182,700	-	19,250	32,700	10,600	6,000	3,750	255,000
Insurance	12,901	-	25,200	10,667	-	109,020	-	157,788
Interest on long term debt	1,024	-	-	7,262	-	36,731	-	45,017
Interest on capital leases	-	-	-	2,362	-	-	-	2,362
Materials and supplies	160,259	83,931	437,841	46,134	43,345	80,952	117,628	970,090
Miscellaneous	-	(1,700)	-	-	-	400	-	(1,300)
Office	-	14,600	-	-	-	-	-	14,600
Professional fees	121,479	-	31,763	4,778	11,082	62,616	611,660	843,378
Rent	1,811	-	23,064	-	19,000	-	-	43,875
Repairs and maintenance	121	-	29,179	34,718	-	77,585	-	141,603
Social assistance	-	1,286,844	-	-	-	-	-	1,286,844
Telephone and utilities	19,703	715	43,456	36,254	9,545	149,031	-	258,704
Training	-	15,054	4,133	18,498	-	841	-	38,526
Travel	63,641	10,078	80,007	24,213	23,252	7,735	38,698	247,624
Tuition	-	-	-	1,131,021	-	-	-	1,131,021
Wages and benefits	307,859	239,370	903,865	1,424,534	261,771	408,749	245,424	3,791,572
	<u>454,590</u>	<u>1,763,828</u>	<u>2,370,792</u>	<u>3,620,038</u>	<u>701,723</u>	<u>1,823,299</u>	<u>1,092,695</u>	<u>11,826,965</u>
Gain on disposal of portfolio investments	135,000	-	-	-	-	-	-	135,000
Loss on disposal of tangible capital assets	(9,376)	-	-	-	-	-	-	(9,376)
Surplus (deficit) for the year	\$ 1,889,756	\$ -	\$ (4,895)	\$ 247,154	\$ (49,979)	\$ 23,882	\$ 13,670	\$ 2,119,588

Aroland First Nation Notes to Consolidated Financial Statements

March 31, 2023

21. Segmented Information (cont'd)

For the year ended March 31

	Administration	Social Services	Health Services	Education	Economic Development	Capital and O&M Programs	Other Programs	2022 Total
Revenue								
Federal government transfers	\$ 583,352	\$ 413,148	\$ 1,863,909	\$ 4,246,294	\$ 219,943	\$ 1,040,149	\$ 257,627	\$ 8,624,422
Provincial government transfers	94,540	1,361,915	157,789	-	384,156	17,262	267,232	2,282,894
Miscellaneous	709,464	2,138	350,826	13,928	141,596	101,847	201,053	1,520,852
Rental	-	-	-	-	-	159,100	-	159,100
Investment Income	11,250	-	-	-	-	-	-	11,250
	<u>1,398,606</u>	<u>1,777,201</u>	<u>2,372,524</u>	<u>4,260,222</u>	<u>745,695</u>	<u>1,318,358</u>	<u>725,912</u>	<u>12,598,518</u>
Expenses								
Administration	(833,753)	-	256,621	402,617	55,235	54,240	65,040	-
Amortization	159,165	-	5,096	78,474	2,501	587,363	-	832,599
Bank charges and interest	14,043	2,998	712	384	-	299	-	18,436
Contract services	56,313	61,477	199,188	958,419	123,203	387,175	219,110	2,004,885
Donations	88,945	-	-	1,500	-	-	-	90,445
Dues, fees and licenses	18,807	6,131	722	11,000	125	-	-	36,785
Equipment	-	-	-	6,561	-	1,380	-	7,941
Freight	748	-	41,727	-	2,999	92	769	46,335
Fuel and oil	14,037	-	48,858	17,304	89	14,926	4,872	100,086
Honoraria	209,238	-	7,250	19,100	24,750	7,089	37,450	304,877
Insurance	26,753	-	24,175	10,370	-	77,065	-	138,363
Interest on long term debt	-	-	-	12,353	-	38,717	-	51,070
Interest on capital leases	-	-	-	5,186	-	-	-	5,186
Materials and supplies	67,618	35,294	634,385	89,526	165,699	31,814	64,015	1,088,351
Miscellaneous	-	43,820	-	-	-	2,657	-	46,477
Office	-	9,840	-	-	-	-	-	9,840
Professional fees	236,169	-	364	4,016	10,008	64,335	5,250	320,142
Program fees (recovery)	-	-	(1,317)	-	-	-	-	(1,317)
Rent	-	-	12,100	-	14,300	2,875	-	29,275
Repairs and maintenance	4,228	-	58,985	13,598	388	130,862	-	208,061
Social assistance	-	1,134,818	-	-	-	-	-	1,134,818
Telephone and utilities	37,222	3,402	44,457	17,934	6,579	162,228	-	271,822
Training	-	748	-	1,248	-	-	-	1,996
Travel (recovery)	18,088	1,854	37,106	1,002	90	1,205	8,571	67,916
Tuition	-	-	-	782,327	-	-	-	782,327
Wages and benefits	322,906	256,037	932,127	1,409,245	386,838	493,902	303,963	4,105,018
	<u>440,527</u>	<u>1,556,419</u>	<u>2,302,556</u>	<u>3,842,164</u>	<u>792,804</u>	<u>2,058,224</u>	<u>709,040</u>	<u>11,701,734</u>
Loss on disposal of tangible capital assets	-	-	-	(443)	-	-	-	(443)
Surplus (deficit) for the year	\$ 958,079	\$ 220,782	\$ 69,968	\$ 417,615	\$ (47,109)	\$ (739,866)	\$ 16,872	\$ 896,341