

**The Ojibway Nation of Saugeen
Consolidated Financial Statements**

March 31, 2019

The Ojibway Nation of Saugeen

Contents

For the year ended March 31, 2019

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Management's Responsibility

To the Members and Chief and Council of The Ojibway Nation of Saugeen:

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

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Ojibway Nation of Saugeen Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the consolidated financial statements. The Council fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Council is also responsible for recommending the appointment of the Nation's external auditors.

MNP LLP, an independent firm of Chartered Professional Accountants, is appointed by the Chief and Council to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Council and management to discuss their audit findings.

September 25, 2019

Original Signed By:
VIOLET MACHIMITY

Band Manager

Independent Auditor's Report

To the Members and Chief and Council of The Ojibway Nation of Saugeen:

Opinion

We have audited the consolidated financial statements of The Ojibway Nation of Saugeen (the "Nation"), which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Nation as at March 31, 2019, and the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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 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 opinion.

Responsibilities of Management 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 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 Nation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the 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.
- 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 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 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 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 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.

MNP LLP

Kenora, Ontario

Chartered Professional Accountants

September 25, 2019

Licensed Public Accountants

MNP
LLP

The Ojibway Nation of Saugeen
Consolidated Statement of Financial Position
As at March 31, 2019

	2019	2018
Financial assets		
Current		
Cash <i>(Note 3)</i>	1,613,366	1,540,004
Accounts receivable <i>(Note 4)</i>	1,441,111	147,820
	3,054,477	1,687,824
Funds held in Ottawa Trust Fund <i>(Note 5)</i>	49,522	48,398
	3,103,999	1,736,222
Liabilities		
Accounts payable and accruals <i>(Note 6)</i>	439,700	463,784
Funding repayable <i>(Note 7)</i>	159,199	110,259
Deferred revenue <i>(Note 8)</i>	391,444	322,419
	990,343	896,462
Long-term debt <i>(Note 9)</i>	1,809,865	-
Net financial assets	303,791	839,760
Contingent liabilities <i>(Note 17)</i>		
Commitments <i>(Note 18)</i>		
Non-financial assets		
Tangible capital assets <i>(Schedule 1)</i>	5,380,219	3,702,397
Prepaid expenses	205,359	11,693
Total non-financial assets	5,585,578	3,714,090
Accumulated surplus <i>(Note 20)</i>	5,889,369	4,553,850

Approved on behalf of the Chief and Council

Original Signed By:
 EDWARD MACHIMITY

Chief

Original Signed By:
 EILEEN KEESEC

Councillor

Original Signed By:
 JOHN SAPAY

Councillor

Councillor

The Ojibway Nation of Saugeen
Consolidated Statement of Operations and Accumulated Surplus
For the year ended March 31, 2019

	<i>Schedule</i>	<i>2019 Budget</i>	<i>2019</i>	<i>2018</i>
Revenue				
Indigenous Services Canada (Note 11)		982,982	1,398,292	1,263,268
First Nations and Inuit Health (Note 11)		363,786	507,273	420,148
Natural Resources Canada (Note 11)		-	54,000	-
Northern Ontario Heritage Corporation		-	1,000,000	-
Ontario First Nations Limited Partnership		88,000	626,529	492,756
Ministry of Health and Long-Term Care (Note 11)		-	141,607	-
Miscellaneous		62,100	72,959	87,601
Sioux Lookout Area Aboriginal Management Board		-	69,793	12,794
Administration fees		129,825	60,854	61,817
First Nation Student Success Program		-	28,750	28,100
Solicitor General		16,068	16,068	16,068
Northern Nishnawbe Education Council		1,800	1,134	2,268
Interest income		-	1,124	4,595
Rental income		-	-	34,320
Repayment of funding		-	(87,361)	(1,776)
Deferred revenue - prior year (Note 8)		40,225	322,419	1,585,535
Deferred revenue - current year (Note 8)		77,700	(391,444)	(322,419)
		1,762,486	3,821,997	3,685,075
Expenses				
Administration	4	363,962	360,215	506,568
Education	5	532,905	565,369	526,662
Health Services	6	374,603	602,227	440,359
Community and Economic Development	7	55,856	132,366	191,670
Capital Funds	8	136,652	378,732	792,346
Operations & Maintenance	9	180,896	209,632	259,513
Ontario First Nations Limited Partnership	10	-	237,937	46,778
Total expenses (Schedule 2)		1,644,874	2,486,478	2,763,896
Surplus (deficit) before other items		117,612	1,335,519	921,179
Other income				
Gain (loss) on disposal of capital assets		-	-	(36,045)
Surplus (deficit)		117,612	1,335,519	885,134
Accumulated surplus (deficit), beginning of year		4,553,850	4,553,850	3,668,716
Accumulated surplus (deficit), end of year		4,671,462	5,889,369	4,553,850

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

The Ojibway Nation of Saugeen
Consolidated Statement of Change in Net Financial Assets
For the year ended March 31, 2019

	2019 Budget	2019	2018
Surplus (deficit)	117,612	1,335,519	885,134
Purchases of tangible capital assets	-	(2,032,302)	(1,262,919)
Amortization of tangible capital assets	-	354,480	335,608
(Gain) loss on sale of tangible capital assets	-	-	36,045
Proceeds of disposal of tangible capital assets	-	-	16,500
Acquisition of prepaid expenses	-	(1,677,822)	(874,766)
	-	(193,666)	(11,693)
Increase (decrease) in net financial assets	117,612	(535,969)	(1,325)
Net financial assets, beginning of year	839,760	839,760	841,085
Net financial assets, end of year	957,372	303,791	839,760

The Ojibway Nation of Saugeen
Consolidated Statement of Cash Flows
For the year ended March 31, 2019

	2019	2018
Cash provided by (used for) the following activities		
Operating activities		
Surplus (deficit)	1,335,519	885,134
Non-cash items		
Amortization	354,480	335,608
Bad debts	-	32,484
Gain (loss) on disposal of capital assets	-	36,045
	1,689,999	1,289,271
Changes in working capital accounts		
Accounts receivable	(1,293,291)	393,732
Prepaid expenses	(193,666)	(11,693)
Accounts payable and accruals	(24,084)	346,996
Funding repayable	48,939	(65,086)
Deferred revenue	69,026	(1,263,117)
	296,923	690,103
Financing activities		
Advances of long-term debt	1,809,865	-
Increase in Funds Held in Ottawa Trust	(1,124)	(1,006)
	1,808,741	(1,006)
Investing activities		
Purchases of tangible capital assets	(2,032,302)	(1,262,919)
Proceeds of disposal of tangible capital assets	-	16,500
	(2,032,302)	(1,246,419)
Increase (decrease) in cash resources	73,362	(557,322)
Cash resources, beginning of year	1,540,004	2,097,326
Cash resources, end of year	1,613,366	1,540,004
Supplementary cash flow information		
Interest received	1,124	4,595
Interest paid	35,887	-

The Ojibway Nation of Saugeen
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

1. Operations

The Ojibway Nation of Saugeen (the "Nation") is located in the Province of Ontario, and provides various services to its members.

2. Significant accounting policies

These consolidated financial statements are the representations of management, prepared in accordance with Canadian Public Sector accounting standards and includes the following significant accounting policies:

Reporting entity

The Ojibway Nation of Saugeen reporting entity includes the Nation Government and all related enterprises that are accountable to the Nation and are either owned or controlled by the Nation.

The financial statements consolidate the financial activities of all entities and departments comprising the Nation reporting entity, except for Nation business entities.

All inter-entity balances have been eliminated on consolidation; however, transactions between departments have not been eliminated in order to present the results of operations for each specific department.

Basis of presentation

Sources of financing and expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes available and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

Cash resources

Cash resources includes balances with banks and short-term investments with maturities of less than one year.

Funds held in Ottawa Trust Fund

Funds held in trust on behalf of the Nation members by the Government of Canada in the Ottawa Trust Fund are reported on the consolidated statement of financial position. Trust monies consist of:

- Capital trust monies derived from non-renewable resource transactions on the sale of land or other Nation capital assets; and
- Revenue trust monies generated primarily through land leasing transactions or interest earned on deposits held in trust.

The Ojibway Nation of Saugeen
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

2. Significant accounting policies (Continued from previous page)

Tangible capital assets

Tangible capital assets are initially recorded at cost based on historical cost accounting records. Contributed tangible capital assets are recorded at their fair value at the date of contribution.

Amortization

Amortization for tangible capital assets is provided using the following methods at rates intended to amortize the cost of assets over their estimated useful lives. No amortization is taken in the year of acquisition.

	Method	Rate
Housing	straight-line	25 years
Housing - Betterments	straight-line	10 years
Community buildings	straight-line	25 years
Community buildings - Betterments	straight-line	10 years
Infrastructure	straight-line	25 years
Automotive	straight-line	5 years
Heavy equipment	straight-line	5 years
Roads	straight-line	30 years
Mobile homes	straight-line	25 years

The Nation has incurred costs toward the construction of a community centre with a carrying value of \$4,143,966 (2018 - \$2,183,663). Amortization is not recorded until assets are in use and as a result, amortization of this asset under construction has not been recorded during the year.

Long-lived assets

Long-lived assets consist of tangible capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Nation performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the assets' carrying amount. Impairment is measured as the amount by which the assets' carrying value exceeds its fair value. Any impairment is included in the consolidated statement of operation for the year in which the asset becomes impaired.

Non-financial assets

The Nation's tangible capital assets and other non-financial assets are accounted for as assets because they can be used to provide Government services in future periods. These assets do not normally provide resources to discharge the liabilities of the Government unless they are sold.

Net financial assets

The Nation's consolidated financial statements are presented so as to highlight net financial assets as the measurement of financial position. The net financial assets of the Nation is determined by its financial assets less its liabilities. Net financial assets combined with non-financial assets comprises a second indicator of financial position, accumulated surplus.

The Ojibway Nation of Saugeen
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

2. Significant accounting policies (Continued from previous page)

Revenue recognition

Government Transfers

The Nation recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the Nation recognizes revenue as the liability is settled. Transfers of non-depreciable assets are recognized in revenue when received or receivable.

Other revenue

Other revenue such as user fees, rent, and administration fees are recognized when service is provided and collectability is reasonably assured. Investment income is recognized on the accrual basis.

Measurement uncertainty

The preparation of consolidated financial statements in conformity with Canadian Public Sector accounting standards 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 date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting year.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary.

Amortization is based on estimated useful lives of the tangible capital assets.

Accounts payable and accruals are based on historical charges for unbilled goods and services at year end.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the year in which they become known.

Segments

The Nation conducts its business through seven reportable segments: Administration, Health Services, Education, Community and Economic Development, Capital Funds, Operations and Maintenance and Ontario First Nations Limited Partnership. These operating segments are established by senior management to facilitate the achievement of the Nation's long-term objectives to aid in resource allocation decisions, and to assess operational performance.

For each reported segment, revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in the significant accounting policies.

Financial instruments

All significant financial assets, financial liabilities and equity instruments of the Nation are either recognized or disclosed in the consolidated financial statements together with other information relevant for making a reasonable assessment of future cash flows and interest rate, currency or credit risk.

The Ojibway Nation of Saugeen
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

3. Cash

	2019	2018
Royal Bank - Main	740,316	1,140,669
Royal Bank - Casinorama	500,000	-
Royal Bank - Project Operational	272,844	-
Funds held in trust - OFNLP	91,626	390,797
Royal Bank GIC	8,566	8,524
Scotiabank - Savings	14	14
	1,613,366	1,540,004

4. Accounts receivable

	2019	2018
Northern Ontario Heritage Fund	1,000,000	-
Indigenous Services Canada	234,288	46,869
Other receivables	88,395	30,568
First Nations and Inuit Health	83,474	67,436
Sioux Lookout Area Aboriginal Management Board	32,057	-
Members	2,897	2,947
	1,441,111	147,820

5. Funds Held in Ottawa Trust Fund

Capital and revenue trust monies are transferred to the Nation on the authorization of the Minister of Indigenous Services Canada, with the consent of the Nation's Council.

	2019	2018
Capital Trust		
Balance, beginning and end of year	7,167	7,167
Revenue Trust		
Balance, beginning of year	41,231	40,226
Interest	1,124	1,005
Balance, end of year	42,355	41,231
	49,522	48,398

The Ojibway Nation of Saugeen
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

6. Accounts payable and accruals

	2019	2018
Trade payables	418,631	443,640
Accruals	20,000	20,000
Employee remittances payable	1,069	144
	439,700	463,784

7. Funding repayable

	2019	2018
Indigenous Services Canada	67,748	76,891
First Nations and Inuit Health Branch	45,484	33,368
Ministry of Health	45,967	-
	159,199	110,259

8. Deferred revenue

	Balance March 31, 2018	Funding Received 2019	Other Revenue 2019	Revenue Recognized 2019	Balance March 31, 2019
Federal Government					
Education	114,619	700,883	23,540	693,308	145,734
Health Services	32,800	677,143	60,590	739,526	31,007
Community and Economic Development	-	42,000	139,861	142,158	39,703
Capital Funds	-	148,054	1,039,500	1,012,554	175,000
Operations & Maintenance	175,000	116,593	12,275	303,868	-
	322,419	1,684,673	1,275,766	2,891,414	391,444

Deferred revenue represents unspent accountable contributions for programs which are not completed at year-end. The unspent revenue is carried forward to be matched with the additional expenses to be incurred in subsequent years.

9. Long-term debt

	2019	2018
RBC Loan (RBC prime rate plus 1.03%)	1,809,865	-

Royal Bank multi-draw term loan up to \$2,300,000, interest at Royal Bank prime + 1.03% (March 31, 2019 - 4.98%), monthly payments of interest only until the conversion date (tentatively October 31, 2019) at which time the outstanding balance will be termed out over 180 months with payments of principal and interest. The interest rate will be set as variable or fixed at that time. Secured by a general security agreement and an irrevocable assignment of OFNLP funds.

10. Financial instruments

The Nation's financial instruments consist of cash, temporary investments, accounts receivable, accounts payable and accruals, and deferred revenue. Unless otherwise noted, it is management's opinion that the Nation is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair market value of these financial instruments approximate their carrying values, unless otherwise noted.

The Ojibway Nation of Saugeen
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

11. Government transfers

	Operating	Capital	2019	2018
Federal government transfers:				
Indigenous Services Canada	1,398,292	-	1,398,292	1,263,268
First Nations and Inuit Health	507,273	-	507,273	420,148
Natural Resources Canada	54,000	-	54,000	-
Total Federal	1,959,565	-	1,959,565	1,683,416
Provincial government transfers:				
Ministry of Health and long-term care	141,607	-	141,607	-
Total government transfers	2,101,172	-	2,101,172	1,683,416

12. Ontario First Nations Limited Partnership

Commencing with the 2012 fiscal year and in each fiscal year thereafter during the initial and renewal terms of the agreement between the Province of Ontario and Ontario First Nations Limited Partnership (OFNLP), the Province of Ontario shall pay to OFNLP 12 monthly payments equal to one-twelfth of 1.7% of the aggregate provincial gross gaming revenues. OFNLP then distributes to the Nation its share of these revenues according to a formula used for that purpose. The use of these funds, according to agreements, is restricted to community development, health, education, cultural development and economic development.

The Nation holds a unit in the Ontario First Nations Limited Partnership, and a share in a related Ontario First Nations General Partner Inc. - the carrying values of which are nominal and are therefore not recorded in these consolidated financial statements.

13. Economic dependence

The Ojibway Nation of Saugeen receives 37% (2018 - 34%) of its revenue from Indigenous Services Canada (ISC) as a result of treaties and agreements entered into with the Government of Canada. These treaties are administered by ISC under the terms and conditions of the Indian Act. The ability of the Nation to continue operations is dependent upon the Government of Canada's continued financial commitments as guaranteed by these treaties.

14. Budget information

The disclosed budget information has been approved by the Chief and Council.

15. Comparative figures

Certain comparative figures have been reclassified to conform with current year's presentation.

16. Indigenous Services Canada Funding Reconciliation

	2019	2018
Indigenous Services Canada Revenue per Consolidated Financial Statements	1,398,292	1,263,268
Indigenous Services Canada Revenue per funding confirmation	1,398,292	1,263,268

17. Contingent liabilities

The Nation has signed funding agreements with Indigenous Services Canada and other governmental bodies for funding of programs which state that the funding party may require surpluses to be returned. The total of such surpluses were indeterminable and the amount could be material. Payment or recoveries of prior year surpluses will be recorded in the year recovered or paid.

The Ojibway Nation of Saugeen
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

18. Commitments

At March 31, 2019 the Nation had a community centre under construction and to March 31, 2019 there was \$4,143,966 (2018 - \$2,183,662) capitalized to construction in progress.

19. First Nations Financial Transparency Act

The Nation is required by the First Nations Financial Transparency Act to post its consolidated financial statements on a website and submit the consolidated financial statements to Indigenous Services Canada by July 27, 2019. As the audit report is dated after this date, the Nation is not in compliance with this requirement. The possible effect of this non-compliance has not yet been determined.

20. Accumulated Surplus

Included in accumulated surplus are surpluses which are restricted for use in the following programs:

	2019	2018
Unrestricted surplus	5,495,980	4,553,850
Preventative Measures	169,920	-
Guidance & Counselling	109,290	-
New Paths	55,788	-
Student Transportation	27,114	-
Public Works, Roads & Bridges	19,912	-
Public Works, Education	11,365	-
	<hr/> 5,889,369	<hr/> 4,553,850