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HOLLOW WATER FIRST NATION  
CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

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# HOLLOW WATER FIRST NATION

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MARCH 31, 2019

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## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

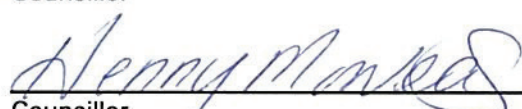
The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada and as such include amounts that are the best estimates and judgments of management.

Management is responsible for the integrity and objectivity of these statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

Chief and 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.

Chief and Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the consolidated financial statements and the external auditors' report.

The external auditors, Baker Tilly HMA LLP, conduct an independent examination, in accordance with Canadian generally accepted auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to the financial management of Hollow Water First Nation and meet when required.

  
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Chief  
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Councillor  
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Councillor  
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Councillor  
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Councillor

**INDEPENDENT AUDITORS' REPORT**

To the Chief, Council and Membership  
Hollow Water First Nation

**Qualified Opinion**

We have audited the accompanying consolidated financial statements of Hollow Water First Nation, which comprise the statement of financial position as at March 31, 2019, and the statement of operations and accumulated surplus, statement of changes in net debt and cash flow statement 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 effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Hollow Water First Nation as at March 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

**Basis for Qualified Opinion****Opening Balances**

We were not able to verify the opening balances as reported in the consolidated statement of financial as at April 1, 2018. Since these opening balances enter in to the determination of the ending balances as reported in the consolidated statement of financial position, as well as the results of operations, changes in net debt and cash flows, we were unable to determine whether adjustments to revenue, expenditures, annual surplus, change in net debt, or cash provided from/to operations might be necessary.

**Due to / from Related Parties**

We have been unable to satisfy ourselves over the completeness, existence, and valuation of the amounts due to/from related parties as well as the completeness, existence, accuracy and occurrence of the revenues and expenditures related to these transactions. Many of these balances were not reconciled, and there was a lack of supporting documentation to support these transactions. As a result, we were not able to assess whether potentially material adjustments were required to the due to/from related parties, revenues, and expenditures.

**Accounts Payable and Accrued Liabilities**

We have been unable to satisfy ourselves with the existence and completeness of the recorded payables, due to the invoices not being entered or retained, and the sub-ledgers not being properly maintained. As a result, we were not able to assess whether potentially material adjustments were required to accounts payable, due to Indigenous Services Canada, and accrued liabilities and expenses.

*(continued.....)*

### Program Expenses and Classification

We have been unable to satisfy ourselves with the existence, completeness and classification of expense, and program expenditures, as transaction were not being recorded completely, and was not susceptible to proper audit verification and procedures. As a result, we were not able to assess whether potentially material adjustments were required to accounts payable, related expense and program expenses.

### Other Matter: Comparative Figures

We draw attention to Note 19 to the financial statements, which explains that comparative figures for the year ended March 31, 2018 were audited by another auditor who expressed a qualified opinion on those financial statements on December 21, 2018. Our opinion is not modified in respect of this matter.

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 Financial Statements section of our report. We are independent of Hollow Water 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 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 and Those Charged with Governance for the 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 Hollow Water 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 Hollow Water First Nation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Hollow Water First Nation's financial reporting process.

### Auditors' Responsibility 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 these financial statements.

*(continued.....)*

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 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 Hollow Water 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 Hollow Water 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 Hollow Water 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.

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.

*Baker Tilly HMA LLP*

Chartered Professional Accountants

Winnipeg, Manitoba  
January 21, 2021

# HOLLOW WATER FIRST NATION




STATEMENT 1

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MARCH 31

	2019	2018
<b>FINANCIAL ASSETS</b>		
Cash - unrestricted	\$ 804,606	\$ 1,400,484
Restricted cash (Note 3)	472,720	3,163,994
Account receivable (Note 4)	1,369,108	864,987
Investments (Note 5)	<u>3,298,911</u>	<u>3,401,087</u>
	<u>5,945,345</u>	<u>8,830,552</u>
<b>LIABILITIES</b>		
Bank indebtedness	50,066	26,233
Demand loan (Note 6)	947,541	554,228
First Peoples Economic Growth Inc. loan (Note 7)	205,594	226,308
Accounts payable and accrued liabilities (Note 8)	1,757,989	3,746,258
Deferred revenue (Note 9)	<u>85,635</u>	<u>3,123,754</u>
	<u>2,996,759</u>	<u>7,650,548</u>
LONG TERM DEBT (Note 10)	<u>7,172,325</u>	<u>5,961,277</u>
	<u>10,219,150</u>	<u>13,638,058</u>
NET DEBT	( 4,273,805)	( 4,807,506)
<b>NON-FINANCIAL ASSETS</b>		
Tangible Capital Assets (Note 11)	10,978,249	10,726,743
Prepaid expenses	27,946	7,888
Construction in progress (Note 22)	<u>19,656,219</u>	<u>16,018,578</u>
	<u>30,662,414</u>	<u>26,753,209</u>
ACCUMULATED SURPLUS (Note 12)	\$ <u>26,388,609</u>	\$ <u>21,945,703</u>
CONTINGENT LIABILITIES (Note 13)		

Approved on behalf of Chief and Council

  
Chief  
Councillor  
Councillor  
Councillor

# HOLLOW WATER FIRST NATION

STATEMENT 2

## CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

YEAR ENDED MARCH 31

	2019	2018
<b>REVENUE</b>		
Indigenous Services Canada <i>(Note 14)</i>	\$ 8,173,633	\$ 19,289,924
First Nations and Inuit Health Branch <i>(Note 15)</i>	2,347,200	2,176,409
Other	2,751,380	1,421,448
Income from Government Business Partnership	750,000	794,519
Province of Manitoba	151,996	187,345
Southeast Resource Development Council Corporation	374,416	306,851
Canada Mortgage and Housing Corporation	164,172	138,745
Government of Canada - Department of Justice	180,000	120,000
First People's Development Inc.	9,094	64,418
Manitoba Hydro	150,360	226,385
Recoveries by federal funding agency	( 19,052)	
Administration revenue		307,716
Rent	140,580	162,082
Tobacco tax rebate		43,350
GST and sales tax rebates	8,813	7,622
Ottawa Trust interest	1,663	1,052
Revenue deferred in prior year	3,123,754	2,941,668
Revenue deferred to subsequent year	( 85,635)	( 3,123,754)
	<u>18,222,374</u>	<u>25,065,780</u>
<b>EXPENDITURES</b>		
Administration	1,784,770	1,134,693
Capital Projects	128,043	905,998
Education	4,285,043	4,414,624
First Nation Programs	1,864,492	1,762,222
Health	2,251,858	1,804,151
Hollow Water -Weri Construction Ltd	1,251,656	1,695,708
Housing	253,246	261,973
Operations and Maintenance	930,235	1,079,950
Social Assistance	1,030,125	936,863
	<u>13,779,468</u>	<u>13,996,182</u>
ANNUAL SURPLUS	4,442,906	11,069,598
ACCUMULATED SURPLUS, <i>beginning of year</i>	<u>21,945,703</u>	<u>10,876,105</u>
ACCUMULATED SURPLUS, <i>end of year</i>	\$ <u>26,388,609</u>	\$ <u>21,945,703</u>



# HOLLOW WATER FIRST NATION

STATEMENT 3

## CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT

YEAR ENDED MARCH 31

	2019	2018
Annual surplus	\$ <u>4,442,906</u>	\$ <u>11,069,598</u>
Acquisition of tangible capital assets	( <u>1,142,017</u> )	( <u>2,737,889</u> )
Amortization of tangible capital assets	<u>890,511</u>	<u>913,750</u>
Acquisition of construction in progress	( <u>3,637,641</u> )	( <u>11,374,941</u> )
	( <u>3,889,147</u> )	( <u>13,199,080</u> )
Acquisition of prepaid expenses	( <u>27,946</u> )	( <u>7,888</u> )
Use of prepaid expenses	<u>7,888</u>	<u>-</u>
	( <u>20,058</u> )	( <u>7,888</u> )
(INCREASE) DECREASE IN NET DEBT FOR YEAR	<u>533,701</u>	( <u>2,137,370</u> )
NET DEBT, <i>beginning of year</i>	( <u>4,807,506</u> )	( <u>2,670,136</u> )
NET DEBT, <i>end of year</i>	\$ <u>( 4,273,805)</u>	\$ <u>( 4,807,506)</u>

# HOLLOW WATER FIRST NATION

STATEMENT 4

## CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31

	2019	2018
CASH FLOW FROM		
<i>OPERATING ACTIVITIES</i>		
Cash received from Indigenous Services Canada (ISC)	\$ 8,173,633	\$ 19,289,924
Cash received from other sources	6,506,501	4,319,216
Cash paid to suppliers and employees	(14,795,108)	(10,952,023)
	(114,974)	12,657,117
<i>CAPITAL ACTIVITY</i>		
Acquisition of tangible capital assets	(1,142,017)	(2,737,889)
Acquisition of construction cost	(3,637,641)	(11,374,941)
	(4,779,658)	(14,112,830)
<i>INVESTING ACTIVITIES</i>		
Proceeds from withdrawal of Investment	-	700,000
Change in restricted cash and short term investment	2,691,274	1,061,325
	2,691,274	1,761,325
<i>FINANCING ACTIVITIES</i>		
Proceeds of long term debt	4,564,974	977,402
Repayment of long term debt	(3,353,926)	(777,341)
Advance of demand loan payable	393,313	554,228
First People Economic Growth Fund Inc. loan	(20,714)	226,308
	1,583,647	980,597
NET INCREASE (DECREASE) IN CASH DURING YEAR	(619,711)	1,286,209
CASH, <i>beginning of year</i>	1,374,251	88,042
CASH, <i>end of year</i>	\$ 754,540	\$ 1,374,251
Cash consists of the following:		
Cash - unrestricted	\$ 804,606	\$ 1,400,484
Bank indebtedness	(50,066)	(26,233)
	\$ 754,540	\$ 1,374,251

# HOLLOW WATER FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

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### 1. NATURE OF OPERATIONS

Hollow Water First Nation ("First Nation") is located in the province of Manitoba and provides various services to its members. Hollow Water First Nation reporting entity includes all related entities which are accountable to the First Nation and are either owned or controlled by the First Nation.

### 2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *BASIS OF PRESENTATION*

These consolidated financial statements are the representations of management and have been prepared in accordance with Canadian public sector accounting standards prescribed for governments, as defined by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada, which encompasses the following principles.

#### *REPORTING ENTITY*

The consolidated financial statements report the financial activities of all entities and departments comprising the reporting entity of the First Nation.

#### *PRINCIPLES OF CONSOLIDATION*

All entities controlled by the First Nation are fully consolidated on a line-by-line basis except for the commercial enterprises that meet the definition of a government business enterprise, which are included in the consolidated financial statements using the modified equity method of accounting.

These consolidated financial statements combine the assets, liabilities, revenue and expenditures of the following entities and departments:

- Hollow Water First Nation
- Hollow Water First Nation Housing Authority
- Hollow Water First Nation Gaming Centre
- Wanipigaa-Sibi Development Corporation

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.

The First Nation has accounted for its interest in a government partnership called Hollow Water Werri Construction Ltd., of which First Nation own 51% of the common shares according to the proportionate consolidation method.

Incorporated and unincorporated business entities which are owned and controlled by the First Nation but which are not dependent on the First Nation for their continuing operations are included in the consolidated financial statements using the modified equity method of accounting whereby only the First Nation's investment in the government business enterprise and the business enterprise's net income and other changes in equity are recorded. The enterprise's accounting principles are not adjusted to conform to those of the First Nation. Entities accounted for by the modified equity method include:

- South Beach Casino Limited Partnership

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****MARCH 31, 2019**

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**2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)******ASSET CLASSIFICATION***

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations. Non-financial assets are acquired, constructed or developed assets that do not provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale. Non-financial assets include tangible capital assets and prepaid expenses.

***CASH - UNRESTRICTED***

Cash - unrestricted includes cash on hand, balances with banks net of bank overdrafts and short-term investments having a maturity of three months or less at acquisition which are held for the purpose of meeting short term cash commitments. Cash subject to restrictions preventing its use for current purposes is included in restricted cash.

***RESTRICTED CASH***

Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

***NET DEBT***

The First Nation's consolidated financial statements are presented so as to highlight net debt as the measurement of financial position. The net debt of the First Nation is determined by its liabilities less its financial assets. Net debt is comprised of two components, non-financial assets and accumulated surplus.

***NON-FINANCIAL ASSETS***

The First 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 First Nation unless they are sold.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)**TANGIBLE CAPITAL ASSETS*

Tangible capital assets include acquired, built, developed and improved tangible capital assets, whose useful life extends beyond one year and which are intended to be used on an ongoing basis for producing goods or delivering services.

Tangible capital assets acquired are reported at net book value.

Residential buildings acquired under Canada Mortgage and Housing Corporation ("CMHC") sponsored programs are amortized at a rate equivalent to the annual principal reduction in the related long term debt. Assets under construction are not amortized until the asset is available to be put into service.

Contributions received to assist in the acquisition of tangible capital assets are reported as deferred revenue and amortized at the same rate as the related asset.

Amortization of tangible capital assets is provided for on the straight line method intended to amortize the cost of the assets over their estimated useful lives:

Ball field	20 years
Band housing	15 years
Bridges	40 years
Buses	10 years
Community buildings	25 years
Heavy equipment	12 years
Infrastructure	40 years
Roads	40 years
Subsidized housing	25 years
Vehicles	5 years

*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 First Nation performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying amount 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 asset's carrying amount. Impairment is measured as the amount by which the asset's carrying amount exceeds its fair value. Any impairment is included in the statement of operations and accumulated surplus for the year in which the asset becomes impaired.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****MARCH 31, 2019**

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**2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)***REVENUE RECOGNITION**

Revenue is recognized in the year in which the transactions or events occurred that gave rise to the revenue. All revenue is recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when its estimation is impracticable.

Government transfer revenue which includes Indigenous Services Canada (ISC), First Nations and Inuit Health Branch (FNIHB) and Canada Mortgage and Housing Corporation (CMHC) is recognized as revenue when the transfer is authorized and any eligibility criteria under the terms of the applicable funding agreement are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfer revenue is recognized in the statement of operations and accumulated surplus as the stipulations are settled.

Contributions from other sources are deferred when restrictions are placed on their use by the 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 performed is deferred and recognized when the fee is earned or service performed.

All other types of revenue are recognized by the First Nation when the services are provided or the goods are shipped.

**SEGMENTS**

The First Nation conducts its business through eight reportable segments as identified in Note 24. These operating segments are established by senior management to facilitate the achievement of the First Nation's long term objectives to aid in resource allocation decisions, and to assess operational performance.

For each segment separately reported, the segment revenue and expenditures 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 Basis of Presentation and Summary of Significant Accounting Policies.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****MARCH 31, 2019**

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**2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)******FINANCIAL INSTRUMENTS***

Financial instruments include cash, restricted cash, accounts receivable, long term investments, accounts payable and accrued liabilities, deferred revenue and long term debt. Unless otherwise stated, it is management's opinion that the First Nation is not exposed to significant interest, currency, or credit risks arising from these financial instruments and the carrying value of the First Nation's financial assets and liabilities approximates their fair value.

***FAIR VALUE***

Due to the short term nature of all financial instruments other than long term investments and long term debt, the carrying value as presented in the consolidated financial statements are reasonable estimates of fair value. Management has estimated fair value by reference to established financial markets. As is true for all estimates, actual fair value could differ from this estimate, and if so, any difference would be accounted for in the year in which it becomes known. For long term investments and long term debt it is not practicable within the constraints of timeliness or cost to determine the fair value with sufficient reliability because the financial instruments are not traded in an organized financial market.

***USE OF ESTIMATES***

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 certain assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of certain revenue and expenditures during the reporting year.

Accounts receivable are stated after estimates as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization of tangible capital assets is provided for on the declining balance basis.

These estimates are reviewed periodically and, as adjustments become necessary, they are reported in the statement of operations and accumulated surplus in the year in which they become known.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

## 3. RESTRICTED CASH

*CMHC REPLACEMENT RESERVE*

Under the terms of the operating agreements with Canada Mortgage and Housing Corporation (CMHC), the replacement reserve is to be credited with an annual allocation of \$31,570 (March 31, 2018 - \$31,570). The annual replacement reserve allocation for new CMHC housing projects during the year is pro-rated consistent with the interest adjustment date established for the corresponding mortgage. These funds, along with accumulated interest, must be held in a separate bank account and/or invested in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time. The funds in the account may only be used as approved by CMHC. Expenditures are charged to accumulated interest first and then to principal. At year end the required fund balance in CMHC replacement reserve was \$313,493 (March 31, 2018 - \$281,923). As of March 31, 2019, the accumulated balance of \$185,250 (March 31, 2018 - \$199,470) in this reserve was underfunded by \$128,243 and due from operating (March 31, 2018 - 82,453).

*OTTAWA TRUST FUND*

The Ottawa Trust Fund arises from monies derived from capital or revenue sources as outlined in Section 62 of the Indian Act. Capital trust monies are derived from non-renewable resource transactions on the sale of lands or other First Nation tangible capital assets. Capital trust monies are expended on the authorization of the Minister of Indigenous Services Canada, with the consent of the First Nation's Chief and Council. Revenue trust monies are generated primarily through land-leasing transactions or interest earned on deposits in the Consolidated Revenue Fund of the Government of Canada. Revenue trust monies are, in most cases, managed and expended under the provisions of Sections 63 to 69 of the Indian Act.

*SHAWANO CONSULTING SERVICES LTD.*

Funds held in trust by construction contractor relate to government transfer revenue that must be spent on particular costs of construction and renovations.

	2 0 1 9	2 0 1 8
Ottawa Trust Fund		
Revenue Trust	\$ 19,255	\$ 18,406
Capital Trust	<u>5,562</u>	<u>5,561</u>
	<u>24,817</u>	<u>23,967</u>
CMHC Replacement Reserve		
Cash	47,045	35,165
Term deposit, bearing interest at 2.20%, maturing June 9, 2019. On July 3, 2019, the First Nation invested \$200,000 into another term deposit bearing interest at 2.20%, maturing July 2, 2020.	138,205	162,857
Accrued interest on term deposit	<u>-</u>	<u>1,448</u>
	<u>185,250</u>	<u>199,470</u>
Shawano Consulting Services Ltd.	<u>262,653</u>	<u>2,940,557</u>
	<u>\$ 472,720</u>	<u>\$ 3,163,994</u>



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

## 4. ACCOUNTS RECEIVABLE

	2 0 1 9	2 0 1 8
Indigenous Services Canada	785,259	36,614
Canada Mortgage and Housing Corporation	14,401	11,547
First Nation Members	257,102	269,692
Government of Canada - Department of Justice		120,000
GST receivable	12,486	516
Trade and other	<u>569,766</u>	<u>709,114</u>
	<u>1,639,014</u>	<u>1,147,483</u>
Allowance for doubtful accounts		
First Nation Members	( 257,102)	( 269,692)
Trade and other	<u>( 12,804)</u>	<u>( 12,804)</u>
	<u>( 269,906)</u>	<u>( 282,496)</u>
	<u>\$ 1,369,108</u>	<u>\$ 864,987</u>

## 5. INVESTMENTS

	2 0 1 9	2 0 1 8
Balance, <i>beginning of year</i>	\$ 3,401,087	\$ 3,306,568
Partnership income	762,146	794,519
Withdrawals	<u>( 864,322)</u>	<u>( 700,000)</u>
	<u>\$ 3,298,911</u>	<u>\$ 3,401,087</u>

The First Nation's investment in South Beach Casino Limited Partnership represents a one-seventh ownership that was established for the purpose of operating a casino and hotel on the Brokenhead Ojibway Nation land at Scanterbury, Manitoba. The investment in this partnership is accounted for in accordance with the modified equity method. The First Nation's investment in the partnership is recorded at acquisition cost and is increased for the proportionate share of post acquisition earnings and decreased by post acquisition losses and withdrawals. Summary information for South Beach Casino Limited Partnership has not been disclosed in the notes to these consolidated financial statements due to its sensitive nature.

## 6. DEMAND LOAN

	2 0 1 9	2 0 1 8
The First Nation's demand loan payable, principal plus interest (prime + 0.25% is consists of an authorized loan to maximum of \$2,988,160 which can only be used for specified purpose pertaining to a legal claim against the Government of Canada. The loan is secured by an assignment and redirection of \$2,988,160 from a successful legal settlement, a commercial litigation insurance policy, a security bond of indemnity and a general security agreement.	<u>\$ 947,541</u>	<u>\$ 554,228</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

## 7. FIRST PEOPLES ECONOMIC GROWTH FUND INC. LOANS

The First Nation owns 51% of Hollow Water - WERI Construction Ltd. During 2018, Hollow Water - WERI Construction Ltd. (the "Company"), obtained loan financing from First Peoples Economic Growth Fund Inc. The First Nation has guaranteed the repayment of the following loans entered into by the Company. The financing was obtained in order for Hollow Water - WERI Construction Ltd. to purchase heavy equipment and to provide for insurance, marketing and other administrative costs.

The loan advances from the First Peoples Economic Development Fund are secured by:

- 1) A promissory note from Hollow Water - WERI Construction Ltd.
- 2) A joint and several loan guarantee by the owners of Hollow Water - WERI Construction Ltd., including the First Nation
- 3) A general security agreement registered as a first charge covering all property owned by Hollow Water - WERI Construction Ltd.
- 4) Insurance coverage with a face value of no less than \$310,000
- 5) An Access Agreement signed by the Chief and Council of Hollow Water First Nation
- 6) A Band Council Resolution signed by the Chief and Council of Hollow Water First Nation
- 7) A waiver of Indian Act Restrictions on Enforcement signed by the Chief and Council of Hollow Water First Nation.

The loan advances from the First Peoples Economic Growth Fund Inc. are outlined below:

	2 0 1 9	2 0 1 8
<b>Community Economic Expansion Program Loan</b>		
This loan is non-interest bearing and requires 84 monthly principal payments of \$1,882.	\$ 135,514	\$ 158,100
<b>Joint Venture Program Loan</b>		
This loan requires 84 monthly payments of \$2,220 including interest at 6.00%.	133,869	151,900
<b>Business Contribution Fund Forgivable Loan</b>		
This loan is forgivable if after three years (the "control period") financial statements are prepared and submitted along with a "Business Performance Review." If the business does not remain in operation or changes in any significant way during the control period (i.e. sale of a significant asset or the acquisition of a partner), the non-repayable contribution will be deemed to be repayable and collection efforts will commence.	133,742	133,742
<b>Less: Reduction of non-controlling share</b>		
The proportionate share of the loans that pertains to the other co-owner of Hollow Water - WERI Construction Ltd. is excluded from the loan balance in the First Nation's consolidated financial statements.	<u>(197,531)</u>	<u>(217,434)</u>
	<u>\$ 205,594</u>	<u>\$ 226,308</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

### 8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2 0 1 9	2 0 1 8
Indigenous Services Canada		23,796
Accrued legal fees on Treaty 5 settlement claim		225,537
Tuition payments to Frontier School Division		1,178,085
Water treatment plant and lagoon expansion	263,250	436,009
Winnipeg Environmental Remediations Inc.		316,930
Trade payables and accruals	<u>1,494,739</u>	<u>1,565,901</u>
	<u>\$ 1,757,989</u>	<u>\$ 3,746,258</u>

### 9. DEFERRED REVENUE

	2 0 1 9	2 0 1 8
Indigenous Services Canada (ISC)		
Water treatment plant and lagoon expansion	\$	\$ 2,504,548
Major, renovation and expansion	35,000	
Capacity development	20,000	
Basic Needs	<u>30,635</u>	<u>230,212</u>
	<u>85,635</u>	<u>2,734,760</u>
Other		
First Nations and Inuit Health Branch		348,049
Government of Canada - Department of Justice	<u>-</u>	<u>40,945</u>
	<u>-</u>	<u>388,994</u>
	<u>\$ 85,635</u>	<u>\$ 3,123,754</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

## 10. LONG TERM DEBT

	2 0 1 9	2 0 1 8
CMHC mortgage, with payments of \$2,125 per month including interest at 1.05%, maturing February 2031, with a scheduled renewal date of August 2021.	\$ 285,479	\$ 307,854
CMHC mortgage, with payments of \$670 per month including interest at 2.41%, maturing February 2033, with a scheduled renewal date of April 2023.	95,023	100,739
CMHC mortgage, with payments of \$2,322 per month including interest at 2.22%, maturing September 2033, with a scheduled renewal date of April 2024.	345,440	365,257
CMHC mortgage, with payments of \$2,240 per month including interest at 1.05%, maturing January 2035, with a scheduled renewal date of August 2021.	391,936	414,576
CMHC mortgage, with payments of \$3,210 per month including interest at 1.05%, maturing March 2036, with a scheduled renewal date of August 2021.	599,562	631,616
CMHC mortgage, with payments of \$1,908 per month including interest at 1.30%, maturing May 2037, with a scheduled renewal date of June 2022.	370,476	388,446
CMHC mortgage, with payments of \$2,625 per month including interest at 2.21%, maturing February 2034, with a scheduled renewal date of February 2024.	400,268	
Term loan, secured by a guaranteed investment certificate described in Note 3, with monthly payments of \$2,262 including interest at bank prime of 3.95% plus 1%, maturing May 2023, with the scheduled renewal date of May 2021.	115,357	142,500
Term loan, with monthly payments of \$3,723 including interest at 5.62%, maturing November 2031, with the next scheduled renewal in November 2021, secured by a general assignment of rents and leases earned by the First Nation from Southeast Child and Family Services and an assignment of fire insurance.	404,078	425,385
10 unit housing project mortgage, requiring semi-annual payments of \$78,353 including interest at 6.28% (prime rate of 3.45% plus 2.83%), maturing June 2032, with the next scheduled renewal in June 2022.		2,193,871
Term loan which was obtained to finance the acquisition of a 5 unit housing project consisting of 3 ready-to-move homes and 2 remodelled sea containers, with semi-annual principal payments of \$16,057 and monthly interest payments at 6.28% (prime rate of 3.45% plus 2.83%), maturing June 2031, with the next scheduled renewal in June 2021.		433,529

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

## 10. LONG TERM DEBT (continued)

	2 0 1 9	2 0 1 8
Term loan, with annual payments of \$278,752, plus interest at 6.20% (prime rate of 3.45% plus 2.75%), maturing December 2019, secured by a first charge against annual partnership withdrawals from the Investment in Government Business Partnership described in Note 5.		557,504
Term loan, requiring semi annual payment principal payments of \$677,451 with monthly payments of interest at 6.05% (prime rate of 3.95% plus 2.10%), maturing May 2025.	<u>4,164,706</u>	<u>-</u>
	<u>\$ 7,172,325</u>	<u>\$ 5,961,277</u>

CMHC mortgages are secured by a ministerial guarantee by the Government of Canada and assignment of all risks insurance.

Term loans borrowed from First Nations Bank of Canada, are secured by a general security agreement, assignment of designated property, Band Council Resolutions authorizing the borrowing and assignment of all risks insurance.

The scheduled principal payments required in each of the next five years to meet retirement provisions are estimated to be as follows:

March 31, 2020	\$ 1,573,574
2021	1,645,870
2022	1,722,557
2023	1,154,173
2024	<u>1,076,151</u>
	<u>\$ 7,172,325</u>

# HOLLOW WATER FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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MARCH 31, 2019

### 11. TANGIBLE CAPITAL ASSETS

	Cost			Accumulated Amortization			Net Book Value	
	Opening Balance	Additions, Adjustments and Disposals	Closing Balance	Opening Balance	Amortization	Closing Balance	Total 2019	Total 2018
Buses	\$ 337,180	\$	\$ 337,180	\$ 314,392	\$ 10,074	\$ 324,466	\$ 12,714	\$ 22,788
Community buildings	2,438,307	373,634	2,811,941	1,644,035	161,257	1,805,292	1,006,649	794,272
Band housing	9,589,678		9,589,678	5,870,471	205,513	6,075,984	3,513,694	3,719,207
Heavy equipment	1,585,706	360,207	1,945,913	981,858	113,555	1,095,413	850,500	603,848
Vehicles	1,097,794		1,097,794	681,959	84,971	766,930	330,864	415,835
Roads	835,641		835,641	683,463	16,059	699,522	136,119	152,178
Bridges	696,086		696,086	539,458	17,402	556,860	139,226	156,628
Subsidized housing	4,817,486	408,176	5,225,662	2,626,291	120,307	2,746,598	2,479,064	2,191,195
Infrastructure	6,454,919		6,454,919	3,784,127	161,373	3,945,500	2,509,419	2,670,792
Ball field	32,846		32,846	32,846		32,846	-	-
	<u>\$ 27,885,643</u>	<u>\$ 1,142,017</u>	<u>\$ 29,027,660</u>	<u>\$ 17,158,900</u>	<u>\$ 890,511</u>	<u>\$ 18,049,411</u>	<u>\$ 10,978,249</u>	<u>\$ 10,726,743</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

## 12. ACCUMULATED SURPLUS

	2 0 1 9	2 0 1 8
Accumulated surplus (deficit) from operations	\$ (710,755)	\$ (2,096,752)
Equity in tangible capital assets	23,462,143	21,115,242
Equity in long term investments	3,298,911	3,401,087
Ottawa trust	24,817	23,967
Replacement reserve	313,493	281,923
Treaty 5 land claim (demand loan payable and accrued legal fees)	-	(779,765)
	<u>\$ 26,388,609</u>	<u>\$ 21,945,702</u>

## 13. CONTINGENT LIABILITIES

The First Nation receives funding from various government agencies based on specified program needs and budgets and allocates certain expenses to the various programs. In many cases the funding agent has the right to review the accounting records to ensure compliance with the terms and conditions of their funding agreements. At this time, it was not yet determined to what extent any funding amounts related to the fiscal year ended March 31, 2019 might be recovered.

For accounting purposes, any amounts assessed or claims paid will be accounted for in the year of determination.

## 14. RECONCILIATION OF INDIGENOUS SERVICES CANADA (ISC) REVENUE

	2 0 1 9	2 0 1 8
ISC funding per agreement #1718-MB-000026 (MANITOBA)	\$ <u>8,173,633</u>	\$ <u>19,289,924</u>
Total ISC revenue per financial statements	\$ <u>8,173,633</u>	\$ <u>19,289,924</u>

## 15. RECONCILIATION OF FIRST NATIONS AND INUIT HEALTH BRANCH (FNIHB) REVENUE

	2 0 1 9	2 0 1 8
FNIHB funding per agreement #1617-MB-000002 (MANITOBA)	\$ <u>2,347,200</u>	\$ <u>2,176,409</u>
Total FNIHB revenue per financial statements	\$ <u>2,347,200</u>	\$ <u>2,176,409</u>

## 16. ECONOMIC DEPENDENCE

Hollow Water First Nation receives a majority of its revenue from Indigenous Services Canada (ISC) and First Nations and Inuit Health Branch (FNIHB) pursuant to funding arrangements with the Government of Canada. The ability of the First Nation to continue operations is dependent upon the Government of Canada's continued financial commitments as guaranteed by the funding arrangements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

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## 17. RELATED PARTY TRANSACTIONS

In the normal course of operations, the First Nation enters into transactions with related parties. Related party transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Due to the significant volume of transactions between the First Nation and its related parties, aggregate revenue and expenditures derived from related party transactions is not determinable.

## 18. SEGMENTS

The First Nation has nine reportable segments. These segments are differentiated by the major activities or services they provide. The First Nation's segments are as follows:

**Administration** - activities include the governance function relating to decisions that define expectations, grant power or verify performance consisting of decision-making and leadership processes.

**Capital** - provide infrastructure for better access and facilities to community and businesses and provide opportunities both within and beyond the community for better economic environment.

**Education** - activities include overseeing many aspects of educational opportunities for community members at all levels of learning both within the community and externally.

**First Nation Programs** - activities include the management and expenditure of revenue generated within the community.

**Health** - activities include the delivery of programs to promote community health and to address environmental issues and non-insured health benefits.

**Hollow Water - WERI Construction Ltd.** - activities include the reporting of the First Nation's proportionate share in a company called Hollow Water - WERI Construction Ltd.

**Housing** - activities include the provision of residential housing opportunities for community members.

**Operations and Maintenance** - activities include the development and maintenance of the community's infrastructure, buildings, roads, bridges and related equipment and the provision of other more specialized community services.

**Social Assistance** - activities include satisfying the economic, social or health related needs of community members who require assistance.

## 19. COMPARATIVE FIGURES

The comparative figures and financial statements for the year ended March 31, 2018 were audited by another firm of Chartered Professional Accountants who expressed a qualified opinion on those financial statements on December 21, 2018. Certain prior year comparative figures have been reclassified where necessary to conform to the presentation adopted for the current year.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

## 20. EXPENDITURES BY OBJECT

	2 0 1 9	2 0 1 8
Amortization	\$ 890,511	\$ 913,750
Community events	111,027	137,142
Contracted services	924,808	1,630,828
Insurance	252,529	136,810
Interest on long-term debt	334,753	225,147
Member disbursements	274,866	298,594
Professional fees	440,644	158,986
Repairs and maintenance	915,246	460,232
Supplies	162,623	256,704
Telephone	24,473	32,938
Salaries and benefits	2,820,616	3,111,093
Social assistance	944,814	866,233
Tuition	4,064,312	3,928,604
Utilities	59,261	86,621
Training	66,417	239,147
Travel	388,870	587,949
Office	84,400	269,604
Administration	395,878	276,249
Band member dividends	242,360	-
Bank charges and interest	25,796	24,840
Elders assistance	13,381	4,980
Honorarium	87,703	46,632
Community services	200,693	41,060
Rent	53,487	80,077
Transfer to Hollow Water Housing Authority	-	181,962
	<u>\$ 13,779,468</u>	<u>\$ 13,996,182</u>

## 21. PROVISION FOR SITE REHABILITATION

The Manitoba Environmental Protection Act sets out the regulatory requirements to properly close and maintain active and inactive landfill sites. Under this environmental law, there is a requirement for closure and post-closure care of solid waste sites including covering and landscaping and ongoing environmental monitoring, site inspection and maintenance.

As directed by PS 3270, a liability must be recognized beginning when the landfill first accepts waste to the date the landfill stops accepting waste. The liability for closure and post-closure care is recognized as the site capacity is used to the extent of the proportion of site capacity used compared to the estimated total expenditure required for closure and post-closure care. The estimated total expenditure represents the sum of discounted future cash flows associated with closure and post closure care considering current technology, the length of the post-closure care period and current environmental regulations. Expenditures that relate to an existing condition caused by past operations, and which do not contribute to future asset service potential, are expensed in the current year.

At year-end, the extent to which the First Nation is bound by environmental laws of the Manitoba Environmental Protection Act was not determinable, and therefore, no liability has been recorded in these consolidated financial statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

## 22. CONSTRUCTION IN PROGRESS

	2019	2018
Water treatment plant and lagoon expansion	\$ <u>19,656,219</u>	\$ <u>16,018,578</u>

## 23. COVID-19

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in a widespread health crisis that has affected economies and financial markets around the world resulting in an economic downturn. This outbreak may also cause staff shortages, increased or reduced funding availability, increased or decreased demand for services, increased government regulations or interventions, all of which may negatively impact the financial conditions or results of operations of the Nation. The duration and impact of the COVID-19 outbreak is unknown at this time and it is not possible to reliably estimate the length and severity of these developments.

## 24. BUDGET

Canadian public sector accounting (PSA) standards require the disclosure of budget information for comparison to the First Nation's actual revenue and expenses based on the original approved budget. Hollow Water First Nation prepared a budget for the year ended March 31, 2019 for the departments related to Indigenous Services Funding, however we were not been provided the budgeted information. The consolidated budgeted revenue and expenses, and surplus have not been reported in these consolidated financial statements. There are no effect on the reported revenue, expenses, and surplus, however, the omission of this information is considered a departure from PSA standards.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

### 24. SEGMENT DISCLOSURE

Hollow Water First Nation provides a range of services to its members. For management reporting purposes, operations and activities are reported by department. 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 2. The segment results for the year are as follows:

	Administration		Capital Projects		Education		First Nation Program		Health	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Revenues										
Federal Government										
ISC	\$ 857,836	\$ 730,618	\$ 894,257	\$ 12,775,472	\$ 4,385,308	\$ 4,278,424	\$	\$	\$ 65,510	\$ 65,510
FNIH									2,347,200	2,176,409
CMHC							19,561			
Deferred from prior		11,276	2,573,167	2,677,224	161,593	104,538	40,946	64,801	348,048	54,872
Deferred to following	-	-	-	(2,573,167)	-	(161,593)	-	(40,946)	-	(348,048)
Subtotal	857,836	741,894	3,467,424	12,879,529	4,546,901	4,221,369	60,507	23,855	2,760,758	1,948,743
Other revenue	636,043	297,515	-	-	17,070	-	2,503,640	1,510,061	6,699	-
Total revenue	1,493,879	1,039,409	3,467,424	12,879,529	4,563,971	4,221,369	2,564,147	1,533,916	2,767,457	1,948,743
Expenses										
Amortization	708,907	352,216						431,293		
Debt servicing	217,427									
Other	442,117	330,600	81,995	816,891	4,099,022	4,113,706	1,185,904	614,588	1,056,564	769,501
Salaries and benefits	416,319	451,877	46,048	89,107	186,021	300,918	678,588	716,341	1,195,294	1,034,650
Total expenses	1,784,770	1,134,693	128,043	905,998	4,285,043	4,414,624	1,864,492	1,762,222	2,251,858	1,804,151
Surplus (Deficit)	\$ (290,891)	\$ (95,284)	\$ 3,339,381	\$ 11,973,531	\$ 278,928	\$ (193,255)	\$ 699,655	\$ (228,306)	\$ 515,599	\$ 144,592

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

### 24. SEGMENT DISCLOSURE (continued)

	Housing		Operation and Maintenance		Social		Construction	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenues								
Federal Government								
ISC	\$ 20,000	\$ 80,000	\$ 902,048	\$ 464,599	\$ 1,048,674	\$ 895,301	\$	\$
CMHC	144,611	138,745						
Deferred from prior						28,957		-
Deferred to following	(20,000)	-	(35,000)	-	(30,635)	-	-	-
Subtotal	144,611	218,745	867,048	464,599	1,018,039	924,258	-	-
Other revenue	161,640	109,752	15,719	-	23,796	-	1,134,643	1,725,460
Total revenue	306,251	328,497	882,767	464,599	1,041,835	924,258	1,134,643	1,725,460
Expenses								
Amortization	120,307	118,672					61,297	11,569
Other	132,939	143,301	775,608	786,320	964,898	858,912	1,111,867	1,537,520
Salaries and benefits			154,627	293,630	65,227	77,951	78,492	146,619
Total expenses	253,246	261,973	930,235	1,079,950	1,030,125	936,863	1,251,656	1,695,708
Surplus (Deficit)	\$ 53,005	\$ 66,524	\$ (47,468)	\$ (615,351)	\$ 11,710	\$ (12,605)	\$ (117,013)	\$ 29,752

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

### 23. SEGMENT DISCLOSURE *(continued)*

	TOTAL	
	<u>2019</u>	<u>2018</u>
Revenues		
Federal Government		
ISC	\$ 8,173,633	\$ 19,289,924
FNIH	2,347,200	2,176,409
CMHC	164,172	138,745
Deferred from prior	3,123,754	2,941,668
Deferred to following	<u>(85,635)</u>	<u>(3,123,754)</u>
Subtotal	13,723,124	21,422,992
Other revenue	<u>4,499,250</u>	<u>3,642,788</u>
Total revenue	<u>18,222,374</u>	<u>25,065,780</u>
Expenses		
Amortization	890,511	913,750
Debt servicing	217,427	
Other	9,850,914	9,971,339
Salaries and benefits	<u>2,820,616</u>	<u>3,111,093</u>
Total expenses	<u>13,779,468</u>	<u>13,996,182</u>
Annual surplus	\$ <u>4,442,906</u>	\$ <u>11,069,598</u>