
LITTLE GRAND RAPIDS FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2019

LITTLE GRAND RAPIDS 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 Little Grand Rapids First Nation are the responsibility of management and have been approved by the Chief and Council.

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

The First Nation maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the First Nation's assets are appropriately accounted for and adequately safeguarded.

The First Nation's Chief and Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

Management reviews the First Nation's financial statements with Chief and Council and recommends their approval. The 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 annual report, the financial statements and the external auditors' report.

The consolidated financial statements have been audited by Baker Tilly HMA LLP in accordance with Canadian generally accepted auditing standards on behalf of the members. Baker Tilly HMA LLP has full and free access to the Management and Chief and Council.

Chief

Councillor

Councillor

Councillor

INDEPENDENT AUDITORS' REPORT

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To the Members
Little Grand Rapids First Nation

Opinion

We have audited the accompanying financial statements of Little Grand Rapids First Nation, which comprise the consolidated statement of financial position as at March 31, 2019, and the statements of operations and accumulated surplus, consolidated statement of changes in net debt and cash flows for the period then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Little Grand Rapids First Nation as at March 31, 2019, and its financial performance and its 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 Financial Statements section of our report. We are independent of Little Grand Rapids 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing Little Grand Rapids 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 Little Grand Rapids First Nation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Little Grand Rapids First Nation's financial reporting process.

(continued.....)

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.

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 Little Grand Rapids 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 Little Grand Rapids 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 Little Grand Rapids 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
December 2, 2019

LITTLE GRAND RAPIDS FIRST NATION

STATEMENT 1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31

2019

2018

FINANCIAL ASSETS

| | | |
|--------------------------------|------------------|------------------|
| Cash | \$ 26,166 | \$ 599,935 |
| Restricted cash (Note 5) | 103,876 | 1,054,037 |
| Accounts receivable (Note 3) | 2,800,796 | 737,438 |
| Long-term investments (Note 4) | <u>3,298,911</u> | <u>3,401,087</u> |
| | <u>6,229,749</u> | <u>5,792,497</u> |

LIABILITIES

| | | |
|------------------------------------|---------------------|---------------------|
| Accounts payable (Note 6) | 2,601,789 | 4,110,452 |
| Deferred revenue (Note 7) | 1,633,100 | 456,757 |
| Long-term debt (Note 8) | 7,226,903 | 7,622,043 |
| Capital lease obligations (Note 9) | <u>372,300</u> | <u>645,023</u> |
| | <u>11,834,092</u> | <u>12,834,275</u> |
| Net Debt | <u>(5,604,343)</u> | <u>(7,041,778)</u> |

NON-FINANCIAL ASSETS

| | | |
|------------------------------------|----------------------|----------------------|
| Tangible capital assets (Note 10) | 18,946,721 | 18,566,827 |
| Construction in progress (Note 12) | 28,058,071 | 19,360,420 |
| Prepaid expenses (Note 11) | <u>643,604</u> | <u>327,855</u> |
| | <u>47,648,396</u> | <u>38,255,102</u> |
| Accumulated surplus | <u>\$ 42,044,053</u> | <u>\$ 31,213,324</u> |

Approved by Chief and Council

Chief

Councillor

Wendy Leveque

Councillor

Alise

Councillor

LITTLE GRAND RAPIDS FIRST NATION

STATEMENT 2

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

YEAR ENDED MARCH 31

| | BUDGET (UNAUDITED) | 2019 | 2018 |
|---|-----------------------|----------------------|----------------------|
| REVENUE | | | |
| Indigenous Services Canada | \$ 13,554,000 | \$ 12,622,695 | \$ 10,712,653 |
| First Nations and Inuit Health Branch | 2,450,000 | 2,182,347 | 2,287,290 |
| Employment and Social Development Canada | 425,000 | 421,166 | 327,725 |
| Canada Mortgage and Housing Corporation | 250,000 | 249,421 | 428,990 |
| South Beach Casino | 750,000 | 750,000 | 700,000 |
| Province of Manitoba | | 157,162 | 291,314 |
| Norwin Construction Co. Ltd. | 15,000 | 13,962 | 194,338 |
| Other revenue | 14,215,243 | 13,017,075 | 14,240,805 |
| Funding recovery | | (60,687) | (115,765) |
| Deferred from prior year | 456,757 | 456,757 | |
| Deferred to subsequent year | <u>-</u> | <u>(1,633,100)</u> | <u>(456,757)</u> |
| | <u>32,116,000</u> | <u>28,176,798</u> | <u>28,610,593</u> |
| EXPENDITURES | | | |
| Band Governance | 6,618,000 | 4,375,276 | 4,228,603 |
| Social Assistance | 3,245,000 | 3,392,149 | 3,010,268 |
| Community Infrastructure | 15,221,000 | 3,278,889 | 3,503,916 |
| Community Wellness | 2,890,000 | 2,393,136 | 1,510,391 |
| Land Management | 110,000 | 109,120 | 111,048 |
| Housing Authority | 400,000 | 589,476 | 1,014,545 |
| Education Authority | <u>3,632,000</u> | <u>3,208,023</u> | <u>3,239,412</u> |
| | <u>32,116,000</u> | <u>17,346,069</u> | <u>16,618,183</u> |
| ANNUAL SURPLUS | | 10,830,729 | 11,992,410 |
| ACCUMULATED SURPLUS, <i>beginning of year</i> | <u>31,213,324</u> | <u>31,213,324</u> | <u>19,220,914</u> |
| ACCUMULATED SURPLUS, <i>end of year</i> | <u>\$ 31,213,324</u> | <u>\$ 42,044,053</u> | <u>\$ 31,213,324</u> |

LITTLE GRAND RAPIDS FIRST NATION

STATEMENT 3

CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT

YEAR ENDED MARCH 31

| | BUDGET (UNAUDITED) | 2019 | 2018 |
|---|-----------------------|-----------------------|-----------------------|
| Annual surplus | \$ - | \$ <u>10,830,729</u> | \$ <u>11,992,410</u> |
| Acquisition of tangible capital assets | (2,007,000) | (<u>2,006,835</u>) | (3,097,047) |
| Amortization of tangible capital assets | <u>1,627,000</u> | <u>1,626,941</u> | <u>1,210,011</u> |
| | (<u>380,000</u>) | (<u>379,894</u>) | (<u>1,887,036</u>) |
| Acquisition of construction in progress - net | (<u>8,698,000</u>) | (<u>8,697,651</u>) | (<u>10,798,009</u>) |
| Acquisition of prepaid expenses | (644,000) | (<u>643,604</u>) | (327,855) |
| Use of prepaid expenses | <u>328,000</u> | <u>327,855</u> | <u>261,602</u> |
| | (<u>316,000</u>) | (<u>315,749</u>) | (<u>66,253</u>) |
| CHANGE IN NET DEBT FOR YEAR | (9,394,000) | 1,437,435 | (758,888) |
| NET DEBT, <i>beginning of year</i> | (<u>7,041,778</u>) | (<u>7,041,778</u>) | (<u>6,282,890</u>) |
| NET DEBT, <i>end of year</i> | <u>\$(16,435,778)</u> | <u>\$(5,604,343)</u> | <u>\$(7,041,778)</u> |

LITTLE GRAND RAPIDS FIRST NATION

STATEMENT 4

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31

| | 2 0 1 9 | 2 0 1 8 |
|---|---------------------|---------------------|
| OPERATING ACTIVITIES | | |
| Cash receipts from funding agencies and other sources | \$ 27,391,960 | \$ 18,363,821 |
| Cash paid to suppliers | (12,792,994) | (9,153,296) |
| Cash paid to employees | (5,918,269) | (4,964,117) |
| Interest paid | (459,218) | (626,982) |
| | <u>8,221,479</u> | <u>3,619,426</u> |
| INVESTING ACTIVITIES | | |
| Construction in progress | (8,697,651) | (1,832,000) |
| Purchase of tangible capital assets - net | (379,894) | (247,192) |
| | <u>(9,077,545)</u> | <u>(2,079,192)</u> |
| FINANCING ACTIVITIES | | |
| Proceeds from long-term debt | 470,329 | 217,729 |
| Repayment of long-term debt | (865,470) | (599,890) |
| Proceeds from capital leases | | 269,581 |
| Repayments of capital lease obligations | (272,723) | (99,066) |
| | <u>(667,864)</u> | <u>(211,646)</u> |
| NET INCREASE (DECREASE) IN CASH DURING YEAR | (1,523,930) | 1,328,588 |
| CASH, <i>beginning of year</i> | <u>1,653,972</u> | <u>325,384</u> |
| CASH, <i>end of year</i> | <u>\$ 130,042</u> | <u>\$ 1,653,972</u> |
| CASH COMPRISED OF | | |
| Cash | \$ 26,166 | \$ 599,935 |
| Restricted cash | <u>103,876</u> | <u>1,054,037</u> |
| | <u>\$ 130,042</u> | <u>\$ 1,653,972</u> |

LITTLE GRAND RAPIDS FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

1. OPERATIONS

The Little Grand Rapids First Nation (the "First Nation") is located in the Province of Manitoba and provides various services to its members. The Little Grand Rapids First Nation financial reporting entity includes all related entities which are accountable to the First Nation and are either owned or controlled by the First Nation.

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements are the representations of management, prepared in accordance with Canadian public sector accounting standards and include the following significant accounting policies:

REPORTING ENTITY

The consolidated financial statements consolidate the financial activities of all entities and departments comprising the First Nation reporting entity. Trusts administered on behalf of third parties by Little Grand Rapids First Nation are excluded from the Nation reporting entity.

The First Nation has consolidated the assets, liabilities, revenue and expenses of the following entities and departments:

- Little Grand Rapids First Nation Band Administration
- Little Grand Rapids First Nation Housing Authority
- Little Grand Rapids First Nation Education Authority
- Miishipaaifiitik Inc.

BASIS OF PRESENTATION

Revenue and expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes earned 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 the legal obligation to pay.

CASH

Cash resources include balances with banks and short-term investments with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

FUNDS HELD IN OTTAWA TRUST

Funds held in trust on behalf of First Nation members by the Government of Canada on Ottawa Trust Fund are on the consolidated statement of financial position with an offsetting amount in accumulated surplus. Trust monies consists of:

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

RESTRICTED CASH

Restricted cash represents cash that is subject to external restrictions.

LITTLE GRAND RAPIDS FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PAGE 2

MARCH 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

CAPITAL LEASE

A lease that transfers substantially all of the benefits and risks of ownership is classified as a capital lease. At the inception of a capital lease, an asset and a payment obligation is recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair market value. Assets under capital leases are amortized on the straight-line basis, over their estimated useful lives. All other leases are accounted for as operating leases and rental payments are expensed as incurred.

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 financial assets less its liabilities. Net debt combined with non-financial assets comprises a second indicator of financial position, 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 government unless they are sold.

TANGIBLE CAPITAL ASSETS

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

Tangible capital assets are amortized annually using the straight-line method at rates intended to amortize the cost of the assets over their estimated useful lives:

| | |
|-------------------------------------|-------------|
| Heavy equipment | 10 years |
| Equipment | 5-10 years |
| Band and CMHC housing | 40 years |
| Infrastructure | 30-40 years |
| Vehicles | 3-5 years |
| Heavy equipment under capital lease | 10 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 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 asset's carrying amount. Impairment is measured as the amount by which the asset's carrying value exceeds its fair value. Any impairment is included in the consolidated statement of operations for the year in which the asset becomes impaired.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

REVENUErecognition

Government transfer revenue is recognized as it becomes receivable under the terms of applicable agreements. Funding received under funding arrangements that relate to a subsequent fiscal period is reflected as deferred revenue on the consolidated statement of financial position in the year of receipt, and is matched with the related department expenses in the year of their occurrence.

Rental revenue is recorded in the year it is earned. At the end of each year management evaluates whether rent revenue is collectible and records a bad debt expense and allowance for doubtful accounts for those amounts designated as unlikely to be collected.

Other revenue is recognized by the First Nation when services are provided or goods are shipped. Tobacco tax rebates are recorded when the rebates have been earned from the Province of Manitoba.

EMPLOYEE FUTURE BENEFITS

The First Nation's employee future benefit program consists of a defined contribution pension plan. First Nation contributions to the defined contribution plan are expensed as incurred.

LONG-TERM INVESTMENTS

Long-term investments owned and significantly influenced by the First Nation are accounted for in accordance with the modified equity method. The initial investment is recorded at acquisition cost and is increased for the proportionate share of post acquisition earnings and decreased by post acquisition losses and distributions.

MEASUREMENT UNCERTAINTY

The preparation of the 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 period.

Accounts receivable are stated after estimates as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Inventory for resale is stated after provisions are made for slow-moving or obsolete inventory. Amortization is based on the estimated useful lives of tangible capital assets.

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

SEGMENTS

The First Nation conducts its business through seven reportable segments as identified in Note 17. 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 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**MARCH 31, 2019****2. SIGNIFICANT ACCOUNTING POLICIES *(continued)***

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

Financial instruments include cash, accounts and advances receivable, long-term investments, restricted cash, bank indebtedness, accounts payable, term loans due on demand, capital lease obligations, 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 risk arising from the financial instruments. Unless otherwise stated, the book value of the First Nation's financial assets and liabilities approximates their fair value due to the short-term maturities of the instruments. The fair value of the First Nation's current long-term debt, term loans due on demand, and capital lease obligations are approximated by their carrying value as the terms and conditions of similar instruments are not materially different from those associated with the First Nation's current long-term debt, term loans due on demand, and capital lease obligations. It is not practical within the constraints of timeliness or cost to determine the fair value of the following long-term investments in Brokenhead River Casino Resort Limited Partnership.

3. ACCOUNTS RECEIVABLE

| | 2 0 1 9 | 2 0 1 8 |
|---|-------------------------|-----------------------|
| Indigenous Services Canada (ISC) | \$ 1,855,240 | \$ 142,122 |
| First Nations and Inuit Health Branch (FNIHB) | 19,831 | |
| Goods and services tax | 22,494 | 22,401 |
| Trade receivables | <u>923,062</u> | <u>553,084</u> |
| | <u><u>2,800,796</u></u> | <u><u>737,438</u></u> |

4. LONG TERM INVESTMENTS

The investment in Brokenhead River Casino Resort Limited Partnership represents one seventh ownership of the 100 units issued by this Partnership, which was formed to develop the casino and hotel on the Brokenhead Ojibway First Nation land at Scanterbury, Manitoba.

| | 2 0 1 9 | 2 0 1 8 |
|-----------------------------------|----------------------------|----------------------------|
| BALANCE, <i>beginning of year</i> | \$ 3,401,087 | \$ 3,306,568 |
| Share of earnings | 762,146 | 908,022 |
| Capital distribution | (750,000) | (700,000) |
| First Nation Trust Allocation | <u>114,322</u> | <u>113,503</u> |
| BALANCE, <i>end of year</i> | <u><u>\$ 3,298,911</u></u> | <u><u>\$ 3,401,087</u></u> |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**MARCH 31, 2019****5. RESTRICTED CASH**

| | 2 0 1 9 | 2 0 1 8 |
|--------------------------------------|-------------------|---------------------|
| Ottawa Trust | \$ 16,796 | \$ 15,341 |
| CMHC Reserves | 2,536 | 19,356 |
| Miishipaaawiitik Inc. | 80,476 | 1,015,274 |
| First Nations Bank - Capital Project | <u>4,068</u> | <u>4,066</u> |
| | \$ 103,876 | \$ 1,054,037 |

Ottawa Trust

The Ottawa Trust Fund accounts 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 and are subject to audit by the Office of the Auditor General of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act. Revenue from the Ottawa Trust Fund is recognized in the year in which it is earned when it is measurable and collection is reasonably assured. Capital and revenue trust monies are transferred to the First Nation on the authorization of the Minister of Indigenous Services Canada, with the consent of the First Nation's Council.

CMHC reserves

As required as part of the First Nation's Canada Mortgage and Housing Corporation (CMHC) Housing program, a separate bank account has been established for replacement of capital equipment and for major repairs to the houses. Under the terms of the agreements with CMHC, the replacement reserve must either be held in a separate bank account or invested in accounts or instruments secured the Canada Deposit Insurance Corporation or as may other wise be approved by CMHC from time to time.

Under the terms of the agreements with CMHC, excess federal assistance payments received must be retained in a subsidy surplus reserve. The reserve is to be comprised of monies deposited in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time. These funds in this account may only be used to meet future subsidy requirements of income-tested occupants.

Miishipaaawiitik Inc.

Miishipaaawiitik Inc., under the common control of Chief and Council of the First Nation, is only able to disburse its funds through cheques which require co-signature from a Province of Manitoba (East Side Road Authority) representative. These funds can only be used for expenditures agreed upon in the contracts entered into with East Side Road Authority.

First Nations Bank - Capital Project

Funds held by South East Resource Development Centre for the Capital Projects. These funds can only be used for eligible expenditures related to the Projects as outlined in the contribution agreement between Little Grand Rapids First Nation and Indigenous Services Canada.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | 2 0 1 9 | 2 0 1 8 |
|--|----------------------------|----------------------------|
| Band | \$ | \$ |
| Trade payables and accrued liabilities | <u>1,998,405</u> | 2,279,375 |
| Indigenous Services Canada | <u>4,639</u> | 386,906 |
| | <u><u>2,003,044</u></u> | <u><u>2,666,281</u></u> |
| Health Authority | | |
| Trade payables and accrued liabilities | <u>66,375</u> | 91,031 |
| First Nations and Inuit Health Branch | <u>-</u> | 27,035 |
| | <u><u>66,375</u></u> | <u><u>118,066</u></u> |
| Miishipaawiitik Inc. | | |
| Trade payables and accrued liabilities | <u>532,370</u> | 1,326,105 |
| | <u><u>\$ 2,601,789</u></u> | <u><u>\$ 4,110,452</u></u> |

7. DEFERRED REVENUE

| | 2 0 1 9 | 2 0 1 8 |
|--------------------------------------|----------------------------|--------------------------|
| ISC - Construction of multiple units | \$ 970,000 | \$ |
| ISC - Fire evacuation | 253,100 | |
| ISC - Road study | 410,000 | |
| ISC - 5 Duplex | | 207,840 |
| FNIHB - Jordan's Principle | <u>-</u> | <u>248,917</u> |
| | <u><u>\$ 1,633,100</u></u> | <u><u>\$ 456,757</u></u> |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

8. LONG TERM DEBT

2019 2018

Canada Mortgage and Housing Corporation

Mortgage payable in monthly installments of \$4,717 including interest at 1.84%, matures September 2032, next renewal date is September 2022, secured by ministerial guarantee and a first charge on insurance.

\$ 676,460 \$ 720,228

Mortgage payable in monthly installments of \$2,398 including interest at 2.22%, matures June 2028, next renewal date is January 2024, secured by ministerial guarantee and a first charge on insurance.

240,508 264,037

Mortgage payable in monthly installments of \$7,047 including interest at 1.86%, matures November 2033, next renewal date is April 2024, secured by ministerial guarantee and a first charge on insurance.

1,085,093 1,147,615

Mortgage payable in monthly installments of \$1,879 including interest at 1.85%, matures June 2034, next renewal date is August 2019, secured by ministerial guarantee and a first charge on insurance.

299,520 316,376

Mortgage payable in monthly installments of \$3,485 including interest at 2.13%, matures October 2037, next renewal date is October 2022, secured by ministerial guarantee and a first charge on insurance.

641,862 669,750

Mortgage payable in monthly installments of \$3,130 including interest at 2.39%, matures February 2033, next renewal date is February, 2023.

444,617 471,260

Mortgage payable in monthly installments of \$2,024 including interest at 2.14%, matures March 2044, next renewal date is March 2024, secured by ministerial guarantee and a first charge on insurance.

470,329

First Nations Bank of Canada

Mortgage payable in monthly installments of \$2,712 including interest at 5.29%, matures October 2023, secured by band housing.

396,431 408,286

Term loan payable in monthly installments of \$5,812.29 including interest at 6.15%, matures October 2020, secured by Band Council Resolution.

721,682 746,209

Term loan payable in monthly installments of \$737 including interest at 5.05%, matures March 2020, secured by Band Council Resolutions and ministerial guarantee.

8,320 16,517

Term loan due on demand including interest at prime rate plus 6.20%, secured by Band Council Resolution and ministerial guarantee.

13,670 27,340

Subtotal

\$ 4,998,492 \$ 4,787,618

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

8. LONG TERM DEBT *(continued)*

2019

2018

| | | |
|--|----------------------------|----------------------------|
| Subtotal from previous page | \$ <u>4,998,492</u> | \$ <u>4,787,618</u> |
| Term loan due on demand including interest at prime rate plus 6.20%, secured by Band Council Resolution and ministerial guarantee. | <u>12,370</u> | 24,740 |
| Term loan due on demand, including interest at 6.20%, secured by Band Council Resolutions and ministerial guarantee. | <u>52,120</u> | 104,240 |
| Mortgage payable in monthly installments of \$6,376 including interest at 6.20%, maturing March 2020. | <u>873,077</u> | 949,584 |
| Mortgage payable in monthly installments of \$2,100 including interest at 7.05%, maturing December 2019. | <u>447,332</u> | 472,534 |
| Mortgage payable in monthly installments of \$17,138 including interest at 6.85%, maturing April 2021. | <u>814,992</u> | 1,226,288 |
| Term loan due on demand including monthly interest at prime rate plus 6.85%, secured by Band Council Resolution and ministerial guarantee. | <u>28,520</u> | 57,039 |
| | <u><u>\$ 7,226,903</u></u> | <u><u>\$ 7,622,043</u></u> |

Principal repayment terms are approximately:

| | |
|------------|----------------------------|
| 2020 | \$ 758,930 |
| 2021 | 686,480 |
| 2022 | 353,445 |
| 2023 | 306,980 |
| 2024 | 316,240 |
| Thereafter | <u>4,804,828</u> |
| | <u><u>\$ 7,226,903</u></u> |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

9. CAPITAL LEASE OBLIGATIONS

| | 2 0 1 9 | 2 0 1 8 |
|--|--------------------------|--------------------------|
| Capital lease obligation, paid out in 2018-19. | 7,285 | |
| Capital lease obligation, paid out in 2018-19. | 22,443 | |
| Capital lease obligation, payable in monthly installments of \$8,703 including interest at 9.30%, due March 2020, secured by heavy equipment. | 99,515 | 190,141 |
| Capital lease obligation, payable in monthly installments of \$4,175 including interest at 15.33%, due April 2019, secured by heavy equipment. | 4,115 | 49,711 |
| Capital lease obligation, payable in monthly installments of \$6,399 including interest at 12.52%, due September 2021, secured by heavy equipment. | 161,900 | 214,771 |
| Capital lease obligation, payable in monthly installments of \$5,916 including interest at 12.52%, due December 2020, secured by heavy equipment. | <u>106,770</u> | <u>160,672</u> |
| | <u><u>\$ 372,300</u></u> | <u><u>\$ 645,023</u></u> |

Future minimum lease payments related to capital lease obligations are as follows:

| | |
|------------------------|--------------------------|
| 2020 | \$ 256,475 |
| 2021 | 124,808 |
| 2022 | <u>35,366</u> |
| | 416,649 |
| Less: imputed interest | (44,349) |
| | <u><u>\$ 372,300</u></u> |

LITTLE GRAND RAPIDS FIRST NATION

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

10. TANGIBLE CAPITAL ASSETS

| | Cost | | | | Accumulated Amortization | | | | Net Book Value | |
|-------------------------------------|----------------------|---------------------|-------------|--------------------------|--------------------------|---------------------|-------------|--------------------------|----------------------|----------------------|
| | Opening Balance | Additions | Disposals, | Write-offs & Adjustments | Opening Balance | Amortization | Disposals, | Write-offs & Adjustments | March 31, 2019 | March 31, 2018 |
| | | | | | | | | | | |
| Heavy equipment | \$ 2,962,708 | \$ 150,943 | \$ | \$ 3,113,651 | \$ 3,022,781 | \$ 90,870 | \$ | \$ 3,113,651 | \$ | \$ (60,073) |
| Equipment | 117,772 | 21,430 | | 139,202 | 111,134 | 17,005 | | 128,139 | 11,063 | 6,638 |
| Band Housing | 5,908,967 | 1,428,840 | | 7,337,807 | 608,447 | 210,009 | | 818,456 | 6,519,351 | 5,300,520 |
| Infrastructure | 16,237,052 | | | 16,237,052 | 10,686,099 | 520,550 | | 11,206,649 | 5,030,403 | 5,550,953 |
| Vehicles | 2,517,869 | 405,622 | | 2,923,491 | 1,908,344 | 358,955 | | 2,267,299 | 656,192 | 609,525 |
| CMHC housing | 6,101,636 | | | 6,101,636 | 1,312,861 | 152,540 | | 1,465,401 | 4,636,235 | 4,788,775 |
| CFS Housing | 848,823 | | | 848,823 | 84,881 | 21,220 | | 106,101 | 742,722 | 763,942 |
| Heavy equipment under capital lease | <u>2,557,916</u> | <u>-</u> | <u>-</u> | <u>2,557,916</u> | <u>951,369</u> | <u>255,792</u> | <u>-</u> | <u>1,207,161</u> | <u>1,350,755</u> | <u>1,606,547</u> |
| | <u>\$ 37,252,743</u> | <u>\$ 2,006,835</u> | <u>\$ -</u> | <u>\$ 39,259,578</u> | <u>\$ 18,685,916</u> | <u>\$ 1,626,941</u> | <u>\$ -</u> | <u>\$ 20,312,857</u> | <u>\$ 18,946,721</u> | <u>\$ 18,566,827</u> |

11. PREPAID EXPENSES

2019

| | | |
|----------------------------|-------------------|-------------------|
| Prepaid fuel - winter road | \$ 565,822 | \$ 261,447 |
| Prepaid insurance | <u>77,782</u> | <u>66,408</u> |
| | <u>\$ 643,604</u> | <u>\$ 327,855</u> |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

12. CONSTRUCTION IN PROGRESS

During the year, Little Grand Rapids First Nation was involved in the construction of variety of capital projects under the management of Shawano Consulting Inc., who received funding from Indigenous Services Canada (ISC) and was also responsible to report on the funding received to ISC. The total cost of these projects in the amount of \$24,910,791 is deferred until subsequent year. Since the major renovations, construction and betterments involved assets under the ownership of Little Grand Rapids First Nation, contribution revenue equivalent to the construction in progress incurred in 2018-19 in the amount of \$8,271,371 was recognized and reported in these financial statements.

| | 2 0 1 9 | 2 0 1 8 |
|---|-------------------|-------------------|
| Indigenous Services Canada - Shawano Consulting | | |
| Water treatment plant | \$ 15,702,459 | \$ 14,109,231 |
| Community hall | 1,373,686 | 1,373,686 |
| Roads | 2,749,795 | 950,028 |
| School repairs | 951,603 | 201,675 |
| Lagoon project | <u>4,133,248</u> | <u>4,800</u> |
| | <u>24,910,791</u> | <u>16,639,420</u> |
| Indigenous Services Canada - Band based capital | | |
| Construction of 5 Duplex | 2,676,951 | 1,500,000 |
| Construction of multiple units | <u>-</u> | <u>1,221,000</u> |
| | <u>2,676,951</u> | <u>2,721,000</u> |
| 2 unit CMHC housing | <u>470,329</u> | <u>-</u> |
| Total Construction in Progress | <u>28,058,071</u> | <u>19,360,420</u> |

13. INDIGENOUS SERVICES CANADA FUNDING RECONCILIATION

| | 2 0 1 9 | 2 0 1 8 |
|---|----------------------|----------------------|
| ISC funding per financial statements | \$ 12,622,695 | \$ 10,712,653 |
| Add: ISC underfunded social assistance | 142,122 | |
| Less: ISC underfunded social assistance | <u>-</u> | <u>(142,122)</u> |
| ISC funding per funding confirmation | <u>\$ 12,764,817</u> | <u>\$ 10,570,531</u> |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

14. FIRST NATIONS AND INUIT HEALTH (FNIHB) FUNDING RECONCILIATION

| | 2 0 1 9 | 2 0 1 8 |
|---|---------------------|---------------------|
| FNIHB funding per financial statements and funding confirmation | <u>\$ 2,182,347</u> | <u>\$ 2,287,290</u> |

15. ECONOMIC DEPENDENCE

Little Grand Rapids First Nation receives the majority of its revenue from Indigenous Services Canada (ISC) and First Nations and Inuit Health Branch (FNIHB) as a result of Treaties entered into with the Government of Canada. These treaties are administered by ISC and FNIHB under the terms and conditions of the Indian Act. The ability of the First Nation to continue operations is dependent upon the Government of Canada's continued financial commitments as guaranteed by these treaties.

16. CONTINGENT FUNDING RECOVERIES

The First Nation is subject to funding recoveries according to their agreements with federal government agencies. At year end, it was not yet determined to what extent any funding amounts related to the year ending March 31, 2019 might be recovered by the agencies.

17. SEGMENTS

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

Band Governance - includes administration and governance activities.

Community Infrastructure - include activities for the maintenance of the community and its infrastructure.

Social Assistance - activities include delivering social programs.

Education Authority - includes the operations of education programs.

Land Management - includes activities for the development of the First Nation's land.

Community Wellness - reports on the First Nation's funding related to health and wellness.

Housing - includes activities related to the development and sustainment of on-reserve housing.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**MARCH 31, 2019****18. CONSOLIDATED EXPENSES BY OBJECT**

| | 2 0 1 9 | 2 0 1 8 |
|--|-----------------------------|-----------------------------|
| Amortization | \$ 1,626,941 | \$ 1,210,011 |
| Bank charges and interest | 459,218 | 626,982 |
| Compensation | 5,918,269 | 4,964,117 |
| Office | 183,981 | 152,363 |
| Professional fee | 653,641 | 370,115 |
| Program expenses | 1,389,831 | 1,392,820 |
| Repairs and maintenance | 1,856,263 | 2,591,751 |
| Social assistance | 3,078,903 | 3,010,268 |
| Support to community and members | 1,284,127 | 1,604,528 |
| Travel, accommodation, and related costs | <u>894,895</u> | <u>695,228</u> |
| | <u><u>\$ 17,346,069</u></u> | <u><u>\$ 16,618,183</u></u> |

19. BUDGET INFORMATION

The disclosed budget information has been approved by the Chief and Council of Little Grand Rapids First Nation. The budget figures have not been audited, reviewed or otherwise verified and consequently we do not express an opinion on them.

20. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current period presentation.

LITTLE GRAND RAPIDS FIRST NATION

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

21. GOVERNMENT TRANSFERS

| | 2 0 1 9 | | | 2 0 1 8 | | |
|---------------------------------|---------------|--------------|---------------|---------------|--------------|---------------|
| | Operating | Capital | Total | Operating | Capital | Total |
| Federal Government Transfers | | | | | | |
| ISC | \$ 8,890,426 | \$ 3,874,391 | \$ 12,764,817 | \$ 7,558,291 | \$ 3,012,240 | \$ 10,570,531 |
| FNIHB | 2,182,347 | | 2,182,347 | 2,035,828 | 251,462 | 2,287,290 |
| CMHC | 249,421 | | 249,421 | 428,990 | | 428,990 |
| ESDC | 421,166 | - | 421,166 | 327,725 | - | 327,725 |
| | 11,743,360 | 3,874,391 | 15,617,751 | 10,350,834 | 3,263,702 | 13,614,536 |
| Provincial Government Transfers | 157,162 | - | 157,162 | 291,314 | - | 291,314 |
| | \$ 11,900,522 | \$ 3,874,391 | \$ 15,774,913 | \$ 10,642,148 | \$ 3,263,702 | \$ 13,905,850 |

22. 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, landscaping, 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 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 expenditures represent 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.

LITTLE GRAND RAPIDS FIRST NATION

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

23. SEGMENTED DISCLOSURE

| | BAND GOVERNANCE | | SOCIAL ASSISTANCE | | COMMUNITY INFRASTRUCTURE | | COMMUNITY WELLNESS | | LAND MANAGEMENT | |
|---------------------------|---------------------|-------------------|----------------------|---------------------|--------------------------|----------------------|--------------------|-------------------|-----------------|---------------------|
| | <u>2019</u> | <u>2018</u> | <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 | \$ 1,292,507 | \$ 932,572 | \$ 3,144,199 | \$ 2,965,024 | \$ 4,501,400 | \$ 3,548,981 | \$ 2,182,347 | \$ 1,786,911 | \$ | \$ |
| FNIHB | | | | | | 500,379 | | | | |
| ESDC | 421,166 | 327,725 | | | | | | | | |
| Recoveries | (8,420) | (115,765) | — | — | — | — | (52,267) | — | — | — |
| Subtotal | 1,705,253 | 1,144,532 | 3,144,199 | 2,965,024 | 4,501,400 | 4,049,360 | 2,130,080 | 1,786,911 | | |
| Province of Manitoba | 157,162 | 291,314 | | | | | | | | |
| Other | 4,670,195 | 3,086,678 | — | — | 7,237,409 | 11,097,159 | 438,269 | 205,046 | 109,120 | 90,399 |
| Total revenue | 6,532,610 | 4,522,524 | 3,144,199 | 2,965,024 | 11,738,809 | 15,146,519 | 2,568,349 | 1,991,957 | 109,120 | 90,399 |
| Expenses | | | | | | | | | | |
| Salaries and benefits | 1,453,131 | 1,117,245 | 183,175 | 156,618 | 840,464 | 812,990 | 865,801 | 756,985 | 74,401 | 88,601 |
| Debt servicing (interest) | 202,280 | 385,156 | | | 7,844 | 173 | 7,670 | 1,318 | | |
| Amortization | | | | | 1,474,400 | 774,968 | | | 14,542 | |
| Other | 2,719,865 | 2,726,202 | 3,208,974 | 2,853,650 | 956,181 | 1,915,785 | 1,519,665 | 737,546 | 34,719 | 22,447 |
| Total expenses | 4,375,276 | 4,228,603 | 3,392,149 | 3,010,268 | 3,278,889 | 3,503,916 | 2,393,136 | 1,510,391 | 109,120 | 111,048 |
| Surplus (Deficit) | \$ 2,157,334 | \$ 293,921 | \$ (247,950) | \$ (45,244) | \$ 8,459,920 | \$ 11,642,603 | \$ 175,213 | \$ 481,566 | \$ — | \$ (20,649) |

LITTLE GRAND RAPIDS FIRST NATION

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

23. SEGMENTED DISCLOSURE *(continued)*

| | HOUSING AUTHORITY | | EDUCATION AUTHORITY | | TOTAL | |
|---------------------------|---------------------|---------------------|---------------------|------------------|----------------------|----------------------|
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| Revenues | | | | | | |
| Federal Government | | | | | | |
| ISC | \$ | \$ | \$ 3,684,589 | \$ 3,266,076 | \$ 12,622,695 | \$ 10,712,653 |
| FNIHB | | | | | 2,182,347 | 2,287,290 |
| CMHC | 249,421 | 428,990 | | | 249,421 | 428,990 |
| ESDC | | | | | 421,166 | 327,725 |
| Recoveries | — | — | — | — | (60,687) | (115,765) |
| Subtotal | 249,421 | 428,990 | 3,684,589 | 3,266,076 | 15,414,942 | 13,640,893 |
| Province of Manitoba | | | | | 157,162 | 291,314 |
| Other | 149,701 | 199,104 | — | — | 12,604,694 | 14,678,386 |
| Total revenue | 399,122 | 628,094 | 3,684,589 | 3,266,076 | 28,176,798 | 28,610,593 |
| Expenses | | | | | | |
| Salaries and benefits | | | | | | |
| Debt servicing (interest) | 237,924 | 237,241 | 2,501,297 | 2,031,678 | 5,918,269 | 4,964,117 |
| Amortization | 152,541 | 420,501 | 3,500 | 3,094 | 459,218 | 626,982 |
| Other | 199,011 | 356,803 | 703,226 | 1,204,640 | 9,341,641 | 9,817,073 |
| Total expenses | 589,476 | 1,014,545 | 3,208,023 | 3,239,412 | 17,346,069 | 16,618,183 |
| Surplus (Deficit) | \$(190,354) | \$(386,451) | \$ 476,566 | \$ 26,664 | \$ 10,830,729 | \$ 11,992,410 |