
LAKE MANITOBA TREATY 2 FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2020

LAKE MANITOBA TREATY 2 FIRST NATION

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2020

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

INDEPENDENT AUDITORS' REPORT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION.....STATEMENT 1

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS.....STATEMENT 2

CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT.....STATEMENT 3

CONSOLIDATED STATEMENT OF CASH FLOWS.....STATEMENT 4

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Lake Manitoba Treaty 2 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. The consolidated financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the consolidated financial statements are presented fairly, in all material respects.

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

The First Nation'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 consolidated financial statements.

Management reviews the First Nation's consolidated 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 consolidated 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

Grace

Councillor

B. McLean

Councillor

Councillor

Wright Paul

INDEPENDENT AUDITORS' REPORT

To the Chief, Council and Membership
Lake Manitoba Treaty 2 First Nation

Baker Tilly HMA LLP
701 - 330 Portage Avenue
Winnipeg, MB R3C 0C4

T: 204.989.2229
TF: 1.866.730.4777
F: 204.944.9923

winnipeg@bakertilly.ca
www.bakertilly.ca

Opinion

We have audited the accompanying consolidated financial statements of Lake Manitoba Treaty 2 First Nation, which comprise the consolidated statement of financial position as at March 31, 2020, and the consolidated statements of operations and accumulated surplus, changes in net debt and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Lake Manitoba Treaty 2 First Nation as at March 31, 2020, 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 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 Lake Manitoba Treaty 2 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 Lake Manitoba Treaty 2 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 Lake Manitoba Treaty 2 First Nation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Lake Manitoba Treaty 2 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 Lake Manitoba Treaty 2 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 Lake Manitoba Treaty 2 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 Lake Manitoba Treaty 2 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.

Winnipeg, Manitoba
September 22, 2020

Baker Tilly HMA LLP
Chartered Professional Accountants

LAKE MANITOBA TREATY 2 FIRST NATION

STATEMENT 1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MARCH 31

2020

2019

FINANCIAL ASSETS

Restricted cash <i>(Note 8)</i>	\$ 552,786	\$ 297,168
Accounts receivable <i>(Note 3)</i>	2,108,082	670,123
Inventory <i>(Note 9)</i>	<u>82,786</u>	<u>98,249</u>
	<u>2,743,654</u>	<u>1,065,540</u>

LIABILITIES

Bank indebtedness <i>(Note 5)</i>	757,685	804,812
Accounts payable and accrued liabilities <i>(Note 6)</i>	1,362,172	1,190,029
CMHC advances payable <i>(Note 18)</i>	670,411	
Deferred revenue <i>(Note 7)</i>	921,453	72,862
Long-term debt <i>(Note 10)</i>	<u>15,568,183</u>	<u>9,977,064</u>
	<u>19,279,904</u>	<u>12,044,767</u>
NET DEBT	<u>(16,536,250)</u>	<u>(10,979,227)</u>

NON-FINANCIAL ASSETS

PREPAID EXPENSES	265,919	61,007
TANGIBLE CAPITAL ASSETS <i>(Note 22)</i>	44,327,303	44,806,571
CONSTRUCTION IN PROGRESS <i>(Note 11)</i>	<u>6,096,724</u>	<u>-</u>
	<u>50,689,946</u>	<u>44,867,578</u>
ACCUMULATED SURPLUS	<u>\$ 34,153,696</u>	<u>\$ 33,888,351</u>
CONTINGENCIES <i>(Note 17)</i>		

Approved by Chief and Council

.....
GMC
Chief

.....
B. M. M.
Councillor
.....
Twight Paul

.....
B
Councillor
.....
B
Councillor

LAKE MANITOBA TREATY 2 FIRST NATION

STATEMENT 2

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

MARCH 31

	2020	2019
REVENUE		
Indigenous Services Canada	\$ 9,466,943	\$ 9,466,943
First Nations and Inuit Health Branch	3,544,395	3,544,395
Province of Manitoba	507,000	503,457
Canada Mortgage and Housing Corporation	756,307	756,307
Employment and Social Development Canada	593,000	638,243
Sales - Gas Bar and Convenience Store	3,100,000	3,114,667
VLT revenue	1,100,000	1,139,020
Rental revenue - CMHC	356,000	362,877
Other revenue	1,650,000	1,657,490
Deferred from prior year	72,862	72,862
Deferred to next year	(921,000)	(921,453)
	<u>20,225,507</u>	<u>20,334,808</u>
		<u>31,201,957</u>
EXPENDITURES		
Administration	1,975,000	1,620,235
Capital projects	2,050,000	2,049,496
Community wellness	3,180,000	3,181,694
Community and economic development	5,500,000	5,606,306
Community services	2,150,000	2,148,859
Education	475,000	486,369
Housing	1,100,000	1,253,629
Social Services	3,700,000	3,722,875
	<u>20,130,000</u>	<u>20,069,463</u>
		<u>18,105,965</u>
ANNUAL SURPLUS	95,507	265,345
ACCUMULATED SURPLUS, <i>beginning of year</i>	<u>20,792,359</u>	<u>33,888,351</u>
ACCUMULATED SURPLUS, <i>end of year</i>	<u>\$ 20,887,866</u>	<u>\$ 34,153,696</u>
		<u>\$ 33,888,351</u>

LAKE MANITOBA TREATY 2 FIRST NATION

STATEMENT 3

CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT

MARCH 31

	2 0 2 0	2 0 1 9
ANNUAL SURPLUS (DEFICIT)	\$ 95,507	\$ 265,345
Acquisition of tangible capital assets	(968,000)	(967,748)
Amortization of tangible capital assets	<u>1,449,349</u>	<u>1,447,016</u>
	<u>481,349</u>	<u>479,268</u>
Acquisition of prepaid expenses	(266,000)	(265,919)
Use of prepaid expenses	<u>61,000</u>	<u>61,007</u>
	<u>(205,000)</u>	<u>(204,912)</u>
Use (acquisition) of construction in progress - net	<u>(6,100,000)</u>	<u>(6,096,724)</u>
	<u>(6,100,000)</u>	<u>(6,096,724)</u>
CHANGE IN NET DEBT FOR THE YEAR	(5,728,144)	(5,557,023)
NET DEBT, <i>beginning of year</i>	<u>(10,979,227)</u>	<u>(10,979,227)</u>
NET DEBT, <i>end of year</i>	<u>\$ (16,707,371)</u>	<u>\$ (16,536,250)</u>
	<u>\$ (10,979,227)</u>	

LAKE MANITOBA TREATY 2 FIRST NATION

STATEMENT 4

CONSOLIDATED STATEMENT OF CASH FLOWS

MARCH 31

	2 0 2 0	2 0 1 9
CASH FLOW FROM		
<i>OPERATING ACTIVITIES</i>		
Cash receipts from funding agencies and other sources	\$ 19,588,162	\$ 17,862,175
Cash paid to suppliers	(13,210,625)	(12,119,800)
Cash paid to employees	(4,095,291)	(4,071,893)
Interest paid	(325,128)	(242,401)
Distributions to the community	<u>(736,346)</u>	<u>(723,484)</u>
	<u>1,220,772</u>	<u>704,597</u>
<i>INVESTING ACTIVITIES</i>		
Purchase of tangible capital assets	(1,006,270)	(2,826,570)
Construction in progress	(6,096,724)	-
Replacement reserve replacements	<u>(76,563)</u>	<u>(57,297)</u>
	<u>(7,179,557)</u>	<u>(2,883,867)</u>
<i>FINANCING ACTIVITIES</i>		
Proceeds from long-term debt	7,406,411	1,712,840
Repayment of long-term debt	<u>(1,144,881)</u>	<u>(863,643)</u>
	<u>6,261,530</u>	<u>849,197</u>
NET INCREASE (DECREASE) IN CASH DURING YEAR		
CASH, <i>beginning of year</i>	(507,644)	822,429
CASH, <i>end of year</i>	<u>\$ (204,899)</u>	<u>\$ (507,644)</u>
CASH COMPRISED OF		
Bank indebtedness	\$(757,685)	\$(804,812)
Restricted cash	<u>552,786</u>	<u>297,168</u>
	<u>\$ (204,899)</u>	<u>\$ (507,644)</u>

LAKE MANITOBA TREATY 2 FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2020

1. OPERATIONS

The Lake Manitoba Treaty 2 First Nation (the Nation) is located in the province of Manitoba, and provides various services to its members. The Lake Manitoba Treaty 2 First Nation financial reporting entity includes all related entities which are accountable to the Nation and are either owned or controlled by the Nation.

2. SIGNIFICANT ACCOUNTING POLICIES

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

REPORTING ENTITY

The consolidated financial statements consolidate the financial activities of all entities and departments comprising the Nation reporting entity. Trusts administered on behalf of third parties by Lake Manitoba Treaty 2 First Nation are excluded from the Nation reporting entity.

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

- Lake Manitoba Treaty 2 First Nation Administration
- Lake Manitoba Waste and Water - PM Associates
- Lake Manitoba Treaty 2 First Nation Video Lottery Terminal (VLT) Program
- Lake Manitoba Treaty 2 First Nation Health Services
- Lake Manitoba Treaty 2 First Nation Convenience Store and Gas Bar
- Lake Manitoba Treaty 2 First Nation Housing Authority

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

BASIS OF PRESENTATION

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

CASH AND CASH EQUIVALENTS

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 FUND

Funds held in trust on behalf of Nation members by the Government of Canada on Ottawa Trust Fund are reported as restricted cash. Trust monies consists of:

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**MARCH 31, 2020****2. SIGNIFICANT ACCOUNTING POLICIES *(continued)******INVENTORY***

Inventory is valued at the lower of cost and net realizable value. Cost is determined by the weighted-average cost method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated selling costs.

FINANCIAL INSTRUMENTS

Financial instruments include cash, accounts receivable, accounts payable and accrued liabilities. Unless otherwise stated, it is management's opinion that Lake Manitoba Treaty 2 First Nation is not exposed to significant interest, currency, or credit risks arising from these financial instruments. Unless otherwise stated, the carrying value of the financial assets and liabilities approximates their fair value.

SEGMENTS

Lake Manitoba Treaty 2 First Nation conducts its business through eight reportable segments as identified in the further notes. These operating segments are established by senior management to facilitate the achievement of the entity's long-term objectives to aid in resource allocation decisions, and to assess operational performance.

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

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

TANGIBLE CAPITAL ASSETS

Tangible capital assets are initially recorded at cost based on historical cost accounting records.

Tangible capital assets are amortized annually using the declining balance method at the rates intended to amortize the cost of the assets over the estimated useful lives:

	Rate
Buildings	1-5%
Equipment	10-30%
Computer equipment	20-50%
Vehicles	20-30%
Furniture and fixtures	20%
Flood equipment	20-40%
Leasehold improvements	5-20%
Infrastructure	5-10%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**MARCH 31, 2020****2. SIGNIFICANT ACCOUNTING POLICIES *(continued)******LONG-LIVED ASSETS***

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

The Nation performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying 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 for the year in which the asset becomes impaired.

NON-FINANCIAL ASSETS

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

NET DEBT

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

REVENUE RECOGNITION

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 statement of financial position in the year of receipt, and is matched with the related department expenses in the year of their occurrence.

Other revenue is recognized by the Nation when services are provided or goods are shipped.

The Nation recognizes gaming revenues on a net win basis (the difference between gaming wins and losses), including table games and slot machines, on a daily basis. Gaming revenues are net of commissions paid to Manitoba Lotteries Corporation, and net of accruals for anticipated payouts of progressive slot machine jackpots and certain progressive table game payouts. Management believes that it is appropriate to present these commissions net of gaming revenues as these amounts are fixed as per their agreement with Manitoba Lotteries Corporation.

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.

EMPLOYEE FUTURE BENEFITS

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2020

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)**PROVISION FOR SITE REHABILITATION*

Environmental law requires appropriate closure and post-closure care of landfill sites. This would include covering and landscaping of the site and ongoing environmental monitoring, site inspection and maintenance. No liability has been recorded as of March 31, 2020 as funding from agencies will offset any cost associated with the closure of landfill sites.

MEASUREMENT UNCERTAINTY

The preparation of the 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 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 is stated after provisions are made for slow moving and 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 statement of operations in the period in which they become known.

3. ACCOUNTS RECEIVABLE

	2 0 2 0	2 0 1 9
Indigenous Services Canada <i>(Note 4)</i>	\$ 1,982,374	\$ 535,798
Canada Housing and Mortgage Corporation	61,947	79,272
First Peoples Development Inc.	51,052	9,290
Trade and other	<u>12,709</u>	<u>45,763</u>
	<u><u>\$ 2,108,082</u></u>	<u><u>\$ 670,123</u></u>

4. ACCOUNTS RECEIVABLE - ISC

	2 0 2 0	2 0 1 9
Basic needs	\$ 135,237	\$
Capital projects	506,100	527,516
Economic development	87,302	8,282
Response	239,358	
Recovery	<u>1,014,377</u>	-
	<u><u>\$ 1,982,374</u></u>	<u><u>\$ 535,798</u></u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**MARCH 31, 2020****5. BANK INDEBTEDNESS**

Bank indebtedness includes cheques issued in excess of funds on deposit in the Nation's operating account and a line of credit of \$757,685 (2019 - \$804,812). The line of credit has an interest rate of prime plus 4.50 % (7.45%) (2019 - 8.45%), and the following collateral:

- all inventory of whatever kind and wherever situated now owned or hereafter acquired or re-acquired by the Nation;
- all machinery, equipment and other tangible personal property now owned or hereafter acquired or re-acquired by the Nation;
- all debts, accounts, claims, and monies in action now owned or hereafter acquired or re-acquired by the Nation;
- all tangible property now owned or hereafter acquired or re-acquired by the Nation;
- all property and all accessories installed in or affixed or attached to that property;
- all personal property in any form or fixtures derived directly or indirectly from any dealing with the collateral and the proceeds therefrom.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2 0 2 0	2 0 1 9
Trade payables	\$ 1,334,052	\$ 1,135,150
Payroll liabilities	12,200	37,602
Accrued interest	<u>15,920</u>	<u>17,277</u>
	<u><u>\$ 1,362,172</u></u>	<u><u>\$ 1,190,029</u></u>

7. DEFERRED REVENUE

	2 0 2 0	2 0 1 9
ISC - Recovery	\$ 810,000	\$
FNIH - Jordan Principle-Child First Initiative	<u>111,453</u>	<u>72,862</u>
	<u><u>\$ 921,453</u></u>	<u><u>\$ 72,862</u></u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2020

8. RESTRICTED CASH

	2 0 2 0	2 0 1 9
Secured Revenues Trust Account - First Nation Finance Authority	\$ 319,767	\$
Ottawa Trust Fund	6,490	6,034
CMHC Replacement Reserve	136,690	191,480
Waste and Water - PM Associates	87,725	97,473
Borrow Pit - Ingram Consulting	<u>2,112</u>	<u>2,179</u>
	<u><u>\$ 552,786</u></u>	<u><u>\$ 297,168</u></u>

Ottawa Trust

The Ottawa Trust Fund arises 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 Nation's Council. Trust monies consists of:

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

CMHC Replacement Reserve

As required as part of the 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 by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time.

Waste and Water - PM Associates

Funds held by PM Associates are restricted for use on the Lagoon project.

Borrow Pit - Ingram Consulting

Funds held by Ingram Consulting are restricted for use on Borrow Pit Decommissioning Project.

Secured Revenues Trust Account - First Nation Finance Authority

The Secured Revenues Trust Account (SRTA) is governed by the Secured Revenues Trust Management Agreement between the First Nation and the First Nation Finance Authority (FNFA) whereby 5% of any funds borrowed from the FNFA are held by the Authority in a fund as security for both bond and interim financing providers' payments.

9. INVENTORY

	2 0 2 0	2 0 1 9
Groceries and cigarettes	\$ 58,602	\$ 58,395
Fuel and diesel	<u>24,184</u>	<u>39,854</u>
	<u><u>\$ 82,786</u></u>	<u><u>\$ 98,249</u></u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2020

10. LONG TERM DEBT

	2 0 2 0	2 0 1 9
CIBC - repaid in full during the year.	\$	\$ 38,523
CIBC - repayable at \$4,775 monthly, including interest at 4.09% renews May 2021.	96,640	148,865
CIBC - repayable at \$6,173 monthly, including interest 3.24%, renews May 2020.	18,420	90,637
CMHC - repayable at \$574 monthly, including interest 2.50%, renews May 2023, matures January 2033.	75,651	80,589
CMHC - repayable at \$680 monthly, including interest at 2.50%, renews May 2023, matures January 2033.	89,646	95,498
CMHC - repayable at \$3,457 monthly, including interest at 2.50%, renews May 2023, matures January 2033.	455,333	485,058
CMHC - repayable at \$5,197 monthly, including interest at 2.21%, renews February 2024, matures February 2034.	746,985	792,334
CMHC - repayable at \$9,228 monthly, including interest at 2.21%, renews February 2024, matures February 2034.	1,326,414	1,406,941
CMHC - repayable at \$2,415 monthly, including interest at 1.83%, renews May 2020, matures November 2034.	372,678	394,628
CMHC - repayable at \$3,361 monthly, including interest at 1.04%, renews March 2021, matures December 2035.	585,744	619,787
CMHC - repayable at \$2,922 monthly, including interest at 1.48%, renews January 2022, matures January 2037.	522,373	549,495
CMHC - repayable at \$4,783 monthly, including interest at 2.39%, renews March 2023, matures January 2038.	833,567	870,610
CMHC - repayable at \$1,627 monthly, including interest at 2.22%, renews January 2024, matures January 2039.	300,678	313,397
CMHC - repayable at \$1,543 monthly, including interest at 1.23%, renews May 2020, matures May 2040.	330,707	345,063
CMHC - repayable at \$9,618 monthly, including interest at 1.50%, renews July 2022, matures July 2032.	1,299,286	1,394,458
CMHC - repayable at \$14,674 monthly, including interest at 2.48%, renews August 2023, matures August 2033.	2,009,510	2,134,368
Noventis Credit Union - term loan repayable at \$36,623 including interest at 7.45% compounded monthly.	248,494	216,813
First Nation Finance Authority - repayable at \$11,989 plus interest at 2.72% compounded monthly.	<u>6,256,057</u>	-
	<u>\$ 15,568,183</u>	<u>\$ 9,977,064</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2020

Loans payable are secured by specific assets financed and a ministerial guarantee by the Government of Canada.

Principal repayment terms are approximately:

2021	\$ 1,012,596
2022	751,071
2023	724,221
2024	739,513
2025	755,515
Thereafter	<u>11,585,267</u>
	 <u>\$ 15,568,183</u>

11. CONSTRUCTION IN PROGRESS

Section 95 Housing Project - CMHC

During the year, the First Nation was involved in the construction of CMHC Housing projects. The total cost of \$1,614,271 incurred as at March 31, 2020 is deferred until the subsequent year, when the projects will be completed.

Gas Bar and Convenience Store Expansion

During the year, the First Nation was involved in the expansion of the convenience store and gas bar. The estimated total cost and completion of the project is not known at this time. As at March 31, 2020, \$4,107,953 was invested into this project.

Health Building Expansion

During the year, the First Nation was involved in the expansion of the Health Building Facility managed by Oodanookatoh Inc.. The estimated total cost and completion of the project is not known at this time. As at March 31, 2020, \$374,500 was invested into this project.

12. RECONCILIATION OF ISC FUNDING

	2 0 2 0	2 0 1 9
ISC funding per confirmation	\$ 9,466,943	\$ 7,701,088
Add: prior year deferred revenue		13,583,553
Less: current year deferred revenue	(810,000)	-
ISC funding per financial statements	<u>\$ 8,656,943</u>	<u>\$ 21,284,641</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2020

13. RECONCILIATION OF FNIH FUNDING

	2 0 2 0	2 0 1 9
FNIH funding per confirmation	\$ 3,544,395	\$ 2,747,889
Add: prior year deferred revenue	72,862	71,882
Less: current year deferred revenue	<u>(111,453)</u>	<u>(72,862)</u>
 FNIH funding per financial statements	 <u>\$ 3,505,804</u>	 <u>\$ 2,746,909</u>

14. SEGMENTS

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

Band Administration - includes administration and governance activities.

Social Assistance - activities include delivering social programs.

Community Services - includes activities for the maintenance of the community and its infrastructure.

Capital Projects - includes activities related to the development and sustainment of on-reserve housing, mitigation and repairs of flood damage.

Community and Economic Development - reports on the Nation's funding related to development of the community.

Education - includes the operations of the education programs.

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

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

15. CONSOLIDATED EXPENSES BY OBJECT

	2 0 2 0	2 0 1 9
Amortization	\$ 1,447,016	\$ 1,449,349
Bank charges and interest	325,128	242,401
Compensation and training	4,095,291	4,071,893
Cost of goods sold	3,021,301	3,001,237
Cultural	229,736	197,800
Other goods and services	1,304,841	1,004,398
Renovations, repairs and maintenance	4,158,040	2,899,680
Social assistance	3,857,147	3,673,930
Support to community and members	736,346	723,484
Travel, accommodation, and related costs	802,777	734,357
Tuition	<u>91,840</u>	<u>107,436</u>
 \$ 20,069,463	 <u>\$ 18,105,965</u>	

16. ECONOMIC DEPENDENCE

The Lake Manitoba Treaty 2 First Nation receives its revenues from Indigenous Services Canada (ISC) as a result of Treaties entered into with the Government of Canada. These treaties are administered by ISC under the terms and conditions of the Indian Act. The ability of the Nation to continue operations is dependent upon the Government of Canada's continued financial commitments as guaranteed by these treaties.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**MARCH 31, 2020**

17. CONTINGENCIES

The 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, 2020 might be recovered by these agencies.

18. CMHC ADVANCES PAYABLE

As of March 31, 2020 Canada Mortgage and Housing Corporation advanced \$670,411 of the total mortgage proceeds of \$682,810 towards the construction of the 3 Units Section 95 Project which was not completed, and reported as construction in progress as of March 31, 2020.

19. BUDGET INFORMATION

The disclosed budget information has been approved by the Chief and Council of Lake Manitoba Treaty 2 First Nation. The budget figures have not been audited, reviewed or otherwise verified and consequently we do not express an opinion on them.

20. SUBSEQUENT EVENT**COVID-19**

Since March 31, 2020, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in a widespread health crisis that has affected economies around the world resulting in economic downturn. This outbreak may also cause staff shortages, increased government regulations or interventions, all of which may negatively impact the financial condition and/or results of operations of the First 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 the severity of these developments.

21. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2020

22. TANGIBLE CAPITAL ASSETS

	Cost			Accumulated Amortization			Net Book Value	
	Opening Balance	Additions	Closing Balance	Opening Balance	Amortization	Closing Balance	Total	Total
							2 0 2 0	2 0 1 9
Land	\$ 220,500	\$ 220,500		\$ 3,812,478	\$ 73,919	\$ 3,886,397	\$ 220,500	\$ 220,500
Band buildings	5,099,569	177,900	5,277,469	12,666	8,670	21,336	1,391,072	1,287,091
Health building	347,008		347,008				325,672	334,342
CMHC buildings	16,055,405		16,055,405	5,279,308	696,620	5,975,928	10,079,477	10,776,097
Infrastructure	45,819,199	594,135	46,413,334	14,528,185	463,220	14,991,405	31,421,929	31,291,014
Heavy equipment	1,113,692		1,113,692	685,471	26,614	712,085	401,607	428,221
Vehicles	2,408,889	100,332	2,509,221	2,109,099	130,862	2,239,961	269,260	299,790
Furniture and fixtures	368,060	77,000	445,060	285,402	24,232	309,634	135,426	82,658
Equipment	760,341	18,381	778,722	684,987	16,933	701,920	76,802	75,354
Computers	179,076		179,076	167,572	5,946	173,518	5,558	11,504
	\$ 72,371,739	\$ 967,748	\$ 73,339,487	\$ 27,565,168	\$ 1,447,016	\$ 29,012,184	\$ 44,327,303	\$ 44,806,571

LAKE MANITOBA TREATY 2 FIRST NATION

PAGE 12

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31

23. SEGMENT DISCLOSURE

	BAND ADMINISTRATION		SOCIAL ASSISTANCE		COMMUNITY SERVICES		CAPITAL PROJECTS		COMMUNITY AND ECONOMIC DEVELOPMENT	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenues										
Federal Government										
ISC	\$ 789,012	\$ 698,819	\$ 3,689,889	\$ 3,697,701	\$ 320,639	\$ 561,953	\$ 3,893,537	\$ 2,083,830	\$ 95,204	\$ 95,204
FNIHB										
CMHC										
ESDC	—	—	—	—	—	—	—	—	638,243	593,315
Subtotal	789,012	698,819	3,689,889	3,697,701	320,639	561,953	3,893,537	2,083,830	733,447	688,519
Other	1,339,311	829,778	—	—	—	156,995	(810,000)	13,326,564	4,883,702	4,760,407
Total revenue	2,128,323	1,528,597	3,689,889	3,697,701	320,639	718,948	3,083,537	15,410,394	5,617,149	5,448,926
Expenses										
Salaries and benefits	609,328	483,168	78,491	66,704	136,981	132,146	8,008		1,389,066	1,302,465
Debt servicing (interest)	117,602	30,862		7,762					9,088	6,538
Amortization										
Other	1,267,931	1,462,767	3,778,656	3,599,464	403,931	541,599	737,931	751,781	12,465	13,195
Total expenses	1,994,861	1,976,797	3,857,147	3,673,930	540,912	673,745	3,113,481	1,972,174	4,227,196	4,179,308
Surplus (Deficit)	\$ 133,462	\$(448,200)	\$(167,258)	\$ 23,771	\$(220,273)	\$ 45,203	\$(29,944)	\$ 13,438,220	\$(20,666)	\$(52,580)

LAKE MANITOBA TREATY 2 FIRST NATION

PAGE 13

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31

23. SEGMENT DISCLOSURE (continued)

	EDUCATION		COMMUNITY WELLNESS		HOUSING		TOTAL	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenues								
Federal Government								
ISC	\$ 678,662	\$ 563,581	\$ 3,544,395	\$ 2,747,889	\$ 756,307	\$ 835,017	\$ 9,466,943	\$ 7,701,088
FNIHB							3,544,395	2,747,889
CMHC							756,307	835,017
ESDC							638,243	593,315
Subtotal	<u>678,662</u>	<u>563,581</u>	<u>3,544,395</u>	<u>2,747,889</u>	<u>756,307</u>	<u>835,017</u>	<u>14,405,888</u>	<u>11,877,309</u>
Other								
Total revenue	<u>678,662</u>	<u>563,581</u>	<u>3,563,153</u>	<u>2,746,909</u>	<u>1,253,456</u>	<u>1,086,901</u>	<u>20,334,808</u>	<u>31,201,957</u>
Expenditures								
Salaries and benefits	14,857	63,401	1,858,560	1,524,009			4,095,291	3,571,893
Debt servicing					198,438	197,239	325,128	242,401
Amortization					696,620	684,373	1,447,016	1,449,349
Other	461,058	412,159	1,337,143	1,218,508	358,571	208,124	14,202,028	12,842,322
Total expenses	<u>475,915</u>	<u>475,560</u>	<u>3,195,703</u>	<u>2,742,517</u>	<u>1,253,629</u>	<u>1,089,736</u>	<u>20,069,463</u>	<u>18,105,965</u>
Surplus (Deficit)	<u>\$ 202,747</u>	<u>\$ 88,021</u>	<u>\$ 367,450</u>	<u>\$ 4,392</u>	<u>\$ (173)</u>	<u>\$ (2,835)</u>	<u>\$ 265,345</u>	<u>\$ 13,095,992</u>