

LAKE ST. MARTIN FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2019

LAKE ST. MARTIN FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2019

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**LAKE ST. MARTIN FIRST NATION
MANAGEMENT'S REPORT
March 31, 2019**

Management's Responsibility for the Consolidated Financial Statements

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 Canadian Institute of Chartered Accountants and 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.

The 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.

The 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 part is properly discharging their responsibilities, and to review the financial statements and the external auditor's report.

The external auditors, Prairie Point Chartered Professional Accountants Ltd., conduct an independent examination, in accordance with Canadian auditing standards and express their opinion on the consolidated financial statements. The external auditors have full and free access to the financial management of Lake St. Martin First Nation and meet when required.

On behalf of Lake St. Martin First Nation:


Chief


Councillor


Councillor


Councillor

September 17, 2019



Independent Auditors' Report

To the members of Lake St. Martin First Nation

Opinion

We have audited the accompanying consolidated financial statements of Lake St. Martin First Nation, which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statements of operations and accumulated surplus, change in net 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 St. Martin First Nation as at March 31, 2019, and the results of its operations 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 Lake St. Martin 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 Lake St. Martin 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 St. Martin First Nation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Lake St. Martin First Nation's financial reporting process.

Auditor's Responsibilities 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 my 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 St. Martin 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 St. Martin 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 St. Martin 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

CHARTERED PROFESSIONAL ACCOUNTANTS

September 17, 2019

LAKE ST. MARTIN FIRST NATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT MARCH 31, 2019

	<u>2019</u>	<u>2018</u>
FINANCIAL ASSETS		
Cash and cash equivalents (Note 3)	\$ 7,048,968	5,678,707
Accounts receivable (Note 4)	792,754	1,938,170
Trust funds held by federal government (Note 5)	14,122	13,491
Due from First Peoples Development Inc.	-	145,223
	<u>7,855,844</u>	<u>7,775,591</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 7)	8,045,953	6,650,691
Deferred revenue	659,676	559,018
Long-term debt (Note 8)	608,661	668,492
Trust funds held by federal government (Note 5)	14,122	13,491
Funded reserve (Note 9)	-	766,876
	<u>9,328,413</u>	<u>8,658,568</u>
NET DEBT	<u><u>(1,472,568)</u></u>	<u><u>(882,977)</u></u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 6)	172,933,474	142,972,123
Prepaid expenses	22,420	1,800
	<u>172,955,894</u>	<u>142,973,923</u>
ACCUMULATED SURPLUS	<u><u>\$ 171,483,326</u></u>	<u><u>142,090,946</u></u>

Contingencies (Note 11)

APPROVED ON BEHALF OF THE FIRST NATION:

CHIEF



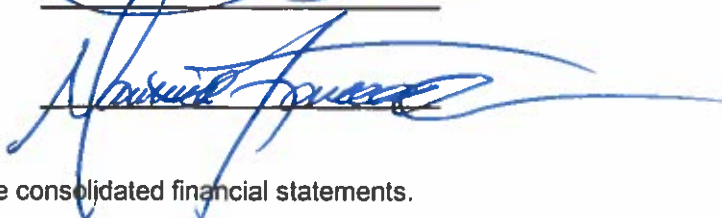
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See accompanying notes to the consolidated financial statements.

LAKE ST. MARTIN FIRST NATION

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

YEAR ENDED MARCH 31, 2019

	Budget (Unaudited)	2019	2018
REVENUES			
Aboriginal Affairs and Northern Development Canada (Note 10) \$	9,087,331	30,036,956	48,006,871
Health Canada	2,162,068	2,361,618	2,294,403
Human Resources and Social Development Canada	-	151,751	390,228
Canada Mortgage and Housing Corporation	-	4,212	3,630
Other revenues, interest and sundry	137,994	2,149,930	993,669
Province of Manitoba	262,375	5,181,345	25,939,435
	<u>11,649,768</u>	<u>39,885,812</u>	<u>77,628,236</u>
EXPENDITURES			
Education	731,142	893,215	2,373,766
Capital	4,291,001	29,710,864	65,941,803
Health	2,435,739	2,499,832	2,458,228
Social services	2,952,649	3,384,126	3,079,024
Band government	992,735	2,547,419	1,801,347
Employment programs	-	547,308	390,228
Own Sources	-	65,161	-
Public works	466,486	537,682	1,824,988
	<u>11,869,752</u>	<u>40,185,608</u>	<u>77,869,384</u>
ANNUAL (DEFICIT) SURPLUS	<u><u>(219,984)</u></u>	<u><u>(299,796)</u></u>	<u><u>(241,148)</u></u>
ACCUMULATED SURPLUS AS PREVIOUSLY STATED	82,723,560	142,166,598	78,463,225
Prior period adjustment (Note 15)	-	(75,652)	(75,652)
ACCUMULATED SURPLUS, restated	<u>82,723,560</u>	<u>142,090,946</u>	<u>78,387,573</u>
Annual surplus (deficit)	<u>(219,984)</u>	<u>(299,796)</u>	<u>(241,148)</u>
Capital assets contributions received	29,692,176	29,692,176	63,944,521
ACCUMULATED SURPLUS at end of year	<u><u>\$ 112,195,752</u></u>	<u><u>171,483,326</u></u>	<u><u>142,090,946</u></u>

See accompanying notes to the consolidated financial statements.

LAKE ST. MARTIN FIRST NATION

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

YEAR ENDED MARCH 31, 2019

	<u>2019</u>	<u>2018</u>
Annual Deficit	\$ (299,796)	(241,148)
Acquisition of tangible capital assets	(29,961,351)	(63,777,762)
(Increase) use of prepaid expenses	(20,620)	82,771
Contributions received for tangible capital assets	<u>29,692,176</u>	<u>63,944,521</u>
CHANGE IN NET DEBT	(589,591)	8,382
Net debt at beginning of year	<u>882,977</u>	<u>815,707</u>
Prior period adjustment	-	75,652
NET DEBT AT END OF YEAR	<u><u>\$ 1,472,568</u></u>	<u><u>882,977</u></u>

See accompanying notes to the consolidated financial statements.

LAKE ST. MARTIN FIRST NATION

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2019

	<u>2019</u>	<u>2018</u>
OPERATING TRANSACTIONS		
Annual deficit	\$ <u>(299,796)</u>	<u>(241,148)</u>
Changes in non-cash charges to operations:		
Accounts receivable	1,145,416	3,525,140
Prepaid expenses	(20,620)	82,771
Due from First Peoples Development Inc.	145,223	-
Accounts payable and accrued liabilities	1,395,262	(3,491,414)
Funded reserve	(766,876)	-
Unexpended funding	<u>100,658</u>	<u>(3,010,292)</u>
	1,699,267	(3,134,943)
CAPITAL TRANSACTIONS		
Acquisition of tangible capital assets	(29,961,351)	(63,777,762)
Contributions for tangible capital assets	<u>29,692,176</u>	<u>63,944,521</u>
	(269,175)	166,759
FINANCING ACTIVITY		
Payment of long-term debt	<u>(59,831)</u>	<u>-</u>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	1,370,261	(2,968,184)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	5,678,707	8,646,891
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 7,048,968</u></u>	<u><u>5,678,707</u></u>

See accompanying notes to the consolidated financial statements.

LAKE ST. MARTIN FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

1) NATURE OF ENTITY

Lake St. Martin First Nation is a non-profit, non-taxable entity and is engaged in the social, cultural, educational and economic development of the First Nation citizens of Lake St. Martin First Nation at Lake St. Martin, Manitoba.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of accounting

These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

b) Reporting entity

The Lake St. Martin First Nation reporting entity includes the Lake St. Martin First Nation government. These consolidated statements consolidate only the entities that are included in these financial statements. No other entities have been included.

c) Principles of consolidation

All controlled entities and components are fully consolidated on a line-by-line basis. Inter-organizational balances and transactions are eliminated upon consolidation.

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

Unincorporated departments

Lake St. Martin First Nation Employment and Training
Lake St. Martin First Nation Health Authority

There are no organizations that have been accounted for using the modified equity basis.

d) 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, prepaid expenses and inventories or supplies.

e) Net debt

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

f) Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks net of bank overdrafts. Restricted cash includes cash to be used for payment of holdbacks and other construction costs.

LAKE ST. MARTIN FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Tangible capital assets

Tangible capital assets are recorded at cost, which include amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets.

Amortization is provided at the following rates and methods:

Water treatment plant	3% declining balance
New sites development	3% declining balance
Temporary office	5% declining balance
Housing project	4% declining balance
School building	4% declining balance
Temporary classrooms	15% declining balance
Storage garage and fire hall	4% declining balance
Other facilities	4% declining balance
Equipment	5% declining balance
Telecom plant	5% declining balance

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

Assets under construction are not amortized until the asset is available for use. At completion, the construction costs are closed out to the appropriate asset classification and amortized over its estimated useful life.

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

h) Revenue recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

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

Contributions 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.

LAKE ST. MARTIN FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Revenue recognition (continued)

Other income, primarily including sales of gas and fees for service, are recognized upon transfer of title of the product or upon performance of the service and when collectability is reasonably assured.

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

j) Financial instruments

The First Nation recognizes financial instruments when it becomes party to the contractual provisions of the instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management. Financial assets and liabilities originated and issued in all other related party transactions are measured at their carrying or exchange amounts.

At initial recognition, the First Nation may irrevocably elect to subsequently measure a financial instrument at fair value. The First Nation has not made any such elections during the year. All financial assets and liabilities are subsequently measured at amortized cost.

k) Measurement uncertainty

In preparing the consolidated financial statements for Lake St. Martin First Nation, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent liabilities, at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the period. Items requiring the use of significant estimates include the allowance for doubtful accounts and the estimated life of tangible capital assets. Actual results could differ from these estimates.

l) Segments

The First Nation conducts its business through eight reportable segments: Band Administration, Social Services, Capital, Education, Operations and Maintenance, Health Services, Employment and Training and Own Sources. 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.

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.

LAKE ST. MARTIN FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

3) CASH AND CASH EQUIVALENTS

Cash and cash equivalents is comprised of the following:

	<u>2019</u>	<u>2018</u>
Chequing	\$ 162,309	192,962
PM Associates - restricted cash	6,886,659	5,485,745
Total cash and cash equivalents	\$ <u>7,048,968</u>	<u>5,678,707</u>

Restricted cash is held by PM Associates to be used for payment of holdbacks and other construction costs.

4) ACCOUNTS RECEIVABLE

	<u>2019</u>	<u>2018</u>
Due from government and other government organizations		
Federal government		
Aboriginal Affairs and Northern Development Canada	626,269	1,923,784
FNIH	-	10,756
Other	166,485	3,630
Total Accounts Receivable	\$ <u>792,754</u>	<u>1,938,170</u>

5) TRUST FUNDS HELD BY THE FEDERAL GOVERNMENT

The funds held in trust in the consolidated revenue fund of the Government of Canada are subject to audit by the office of the Auditor General of Canada. Revenue from the funds held in trust are recognized in the year in which it is earned when it is measurable, and collection is reasonably assured. Trust monies consist of:

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

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.

	<u>March 31, 2018</u>	<u>Additions 2019</u>	<u>Withdrawals 2019</u>	<u>March 31, 2019</u>
Cash in Ottawa Trust	\$ <u>13,491</u>	<u>631</u>	<u>-</u>	<u>14,122</u>

LAKE ST. MARTIN FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

6) TANGIBLE CAPITAL ASSETS

	Opening Cost	Additions	Adjustments / Disposals	Closing Cost	Opening Accumulated Depreciation	Adjustments	Transfers/ Disposals	Amortization Expense	Accumulated Depreciation	2019 NBV	2018 NBV
Construction in progress:											
Water treatment plant	48,868,741	2,408,473	-	51,277,214	-	-	-	-	-	51,277,214	48,868,741
New sites development	23,349,435	2,795,513	-	26,144,948	-	-	-	-	-	26,144,948	23,349,435
Temporary office	585,147	-	(22,716.00)	562,431	-	-	-	-	-	562,431	585,147
Housing project	42,176,111	19,981,784	-	62,157,895	-	-	-	-	-	62,157,895	42,176,111
School building	19,101,221	4,507,847	-	23,609,068	-	-	-	-	-	23,609,068	19,101,221
Temporary classrooms	1,462,590	-	(4,475.66)	1,458,114	-	-	-	-	-	1,458,114	1,462,590
Storage garage and fire hall	2,580,578	-	-	2,580,578	-	-	-	-	-	2,580,578	2,580,578
Other facilities	231,636	250,000	-	481,636	-	-	-	-	-	481,636	231,636
Equipment	-	44,926	-	44,926	-	-	-	-	-	44,926	-
Telecom plant	4,616,664	-	-	4,616,664	-	-	-	-	-	4,616,664	4,616,664
	<u>\$ 142,972,123</u>	<u>29,988,543</u>	<u>(27,192)</u>	<u>172,933,474</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>172,933,474</u>	<u>142,972,123</u>

In the Spring of 2011, the community of Lake St. Martin First Nation was subject to severe flooding. The effects of this flooding severely impaired the tangible capital assets and therefore the assets were written off at that time.

LAKE ST. MARTIN FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

7) ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2019</u>	<u>2018</u>
Trade payables	\$ 1,159,294	1,164,946
Holdbacks on Community Reconstruction Projects	6,886,659	5,485,745
	<u>\$ 8,045,953</u>	<u>6,650,691</u>

8) LONG-TERM DEBT

	<u>2019</u>	<u>2018</u>
Tribal Wi Chi Way Win Corporation	\$ 265,251	265,251
Winnipeg Environmental Remediations Inc.	343,410	403,241
	<u>\$ 608,661</u>	<u>668,492</u>

These loans are in default and are expected to be renegotiated subsequent to the release of these financial statements.

Winnipeg Environmental Remediations Inc.'s loans are secured by capital assets of Lake St. Martin First Nation.

9) FUNDED RESERVE

Funded reserve represents funds held in previous year and payable to Government of Canada related to flood funding received from the Province of Manitoba - Emergency Measures Organization. All funding was used to pay for re-location costs during the year.

	<u>March 31, 2018</u>	<u>Additions 2019</u>	<u>Withdrawals 2019</u>	<u>March 31, 2019</u>
Funded reserve	\$ 766,876	-	(766,876)	-

LAKE ST. MARTIN FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

10) INAC FUNDING RECONCILIATION

	<u>2019</u>	<u>2018</u>
INAC funding per funding confirmation	\$ 30,674,090	48,547,261
2019/2020 Funding received during the fiscal year	22,542	-
Deferred revenue	(659,676)	(540,390)
	<u>\$ 30,036,956</u>	<u>48,006,871</u>

11) CONTINGENCIES

Claims

In 2019, a supplier filed a claim against Lake St. Martin First Nation, relating to outstanding invoices for unpaid rent. Lake St. Martin First Nation has defended its position against this claim and is considering the validity and accuracy of the claim. As of the date of the independent auditors' report, the likelihood of successfully defending this claim and the ultimate value of this claim was indeterminable and therefore no amounts have been recorded on these financial statements.

Lake St. Martin First Nation is also involved in certain other claims. At this time the outcome and estimated liability are unknown. No amounts have been recorded in the consolidated financial statements for these lawsuits.

Contribution agreements

Lake St. Martin First Nation has entered into contribution agreements with various federal government departments. Funding received under these contribution agreements is subject to repayment if the First Nation fails to comply with the terms and conditions of the agreements.

Lake St. Martin First Nation may be liable to repay INAC social services funding received based on INAC's verification and reconciliation process. At the date of the financial statements, no approval or reconciliation of social services cumulative deficits or surpluses had been received from Indigenous and Northern Affairs Canada. As a result, no provision for any potential repayment has been made in the accounts of Lake St. Martin First Nation.

12) ECONOMIC DEPENDENCE

The government of Lake St. Martin First Nation receives a major portion of its revenue from Aboriginal Affairs and Northern Development Canada and Health Canada. The nature and extent of this revenue is of such significance that the First Nation is economically dependent on this source of revenue.

LAKE ST. MARTIN FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

13) FINANCIAL INSTRUMENT RISK MANAGEMENT

Lake St. Martin First Nation is susceptible to credit risk due to the large balances of accounts receivable and significant overdue accounts. Credit risk is the risk of financial loss if a debtor fails to make payments of interest and principal when due. Accounts receivable from federal and provincial governments pose minimal credit risk. Miscellaneous receivables from various other individuals and entities are monitored on a regular basis. Lake St. Martin First Nation measures its exposure to credit risk based on how long the amounts have been outstanding. An impairment allowance is set up based on Lake St. Martin First Nation's historical experience regarding collections.

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: currency risk, interest rate risk and price risk. Unless otherwise noted, it is management's opinion that Lake St. Martin First Nation is not exposed to significant currency, interest and price risk.

Liquidity risk is the risk that Lake St. Martin First Nation will not be able to meet all cash outflow obligations as they become due. Lake St. Martin First Nation mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

LAKE ST. MARTIN FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

14) EXPENDITURES BY OBJECT

	<u>2019</u>	<u>2018</u>
Administration	\$ 299,703	194,018
Bad debt	145,223	-
Bank charges and interest	17,723	10,442
Fuel and oil	56,284	115,987
Social expenses	2,702,721	2,557,405
Consolidated Revenue Fund	269,696	290,716
Employment Insurance	124,479	99,512
Utilities	318,460	48,647
Workshops and training	148,604	117,809
Supplies	535,549	320,285
Purchased goods and services	30,988,177	69,502,749
Professional fees	545,358	232,376
Insurance	260,127	216,769
Salaries and benefits	3,055,522	3,273,729
Rent expense	399,810	419,801
Travel	318,172	469,139
	<u><u>\$ 40,185,608</u></u>	<u><u>77,869,384</u></u>

15) PRIOR PERIOD ADJUSTMENT

Tribal Wi Chi Way Win Corporation and Winnipeg Environmental Remediation Inc. long-term debt and other minor claims were adjusted due to new information available related with the balances owing in previous periods. A restatement of prior year is required to adjust the balance of long-term debt and minor claims.

The effects of the restatement on the consolidated financial statements are summarized as follows:

	2018, as previously stated	Adjustment	2018, restated
Long-term debt	692,840	(24,348)	668,492
Accounts payable and accrued liabilities	100,000	100,000	200,000
Accumulated surplus, opening balance	78,463,225	(75,652)	78,387,573

LAKE ST. MARTIN FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

16) SEGMENTED INFORMATION

	BAND ADMINISTRATION		SOCIAL SERVICES		CAPITAL		EDUCATION	
	2019	2018	2019	2018	2019	2018	2019	2018
Revenues								
Federal Government								
AANDC	\$ 1,244,143	\$ 1,859,466	\$ 3,346,864	\$ 3,039,689	\$ 23,937,831	\$ 39,149,294	\$ 1,143,399	\$ 2,176,506
CMHC	-	-	-	-	-	3,630	-	-
Health Canada	-	-	-	-	-	-	-	-
Province of Manitoba	-	-	2,646	-	4,785,872	25,777,511	-	-
Other	1,732,085	816	-	-	239,686	927,880	13,449	41,970
Total revenue	2,976,228	1,860,282	3,349,510	3,039,689	28,963,389	65,858,315	1,156,848	2,218,476
Expenses								
Debt servicing		7,931						
Other	2,034,353	1,406,199	3,025,275	2,853,486	29,207,713	65,332,637	849,268	1,753,097
Salaries and benefits	513,067	387,217	358,851	225,538	503,151	609,166	43,947	620,669
Total expenses	2,547,420	1,801,347	3,384,126	3,079,024	29,710,864	65,941,803	893,215	2,373,766
Surplus (Deficit)	\$ 428,808	\$ 58,935	\$ (34,616)	\$ (39,335)	\$ (747,475)	\$ (83,488)	\$ 263,633	\$ (155,290)

LAKE ST. MARTIN FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

16) SEGMENTED INFORMATION (Cont.)

	OPERATIONS AND MAINTENANCE		HEALTH SERVICES		EMPLOYMENT & TRAINING		OWN SOURCES		TOTAL	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Revenues										
Federal Government										
AANDC	\$ 364,717	\$ 1,781,916	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,036,954	\$ 48,006,871
CNHC	-	-	-	-	-	-	-	-	-	3,630
Health Canada	-	-	2,361,618	2,294,403	-	-	-	-	2,361,618	2,294,403
Province of Manitoba	-	-	-	-	-	-	-	-	4,788,518	25,777,511
Other	7,627	-	152,039	184,927	402,085	390,228	151,751	-	2,698,722	1,545,821
Total revenue	<u>372,344</u>	<u>1,781,916</u>	<u>2,513,657</u>	<u>2,479,330</u>	<u>402,085</u>	<u>390,228</u>	<u>151,751</u>	<u>-</u>	<u>39,885,812</u>	<u>77,628,236</u>
Expenses										
Debt servicing										
Other	229,170	1,584,514	2,499,832	2,511	-	-	-	-	37,910,772	10,442
Salaries and benefits	308,512	240,474	1,466,849	988,868	547,308	390,228	65,161	-	2,274,836	74,309,029
Total expenses	<u>537,682</u>	<u>1,824,988</u>	<u>2,499,832</u>	<u>2,458,228</u>	<u>547,308</u>	<u>390,228</u>	<u>65,161</u>	<u>-</u>	<u>40,185,608</u>	<u>77,869,384</u>
Surplus (Deficit)	<u>\$ (165,338)</u>	<u>\$ (43,072)</u>	<u>\$ 13,825</u>	<u>\$ 21,102</u>	<u>\$ (145,223)</u>	<u>\$ -</u>	<u>\$ 86,590</u>	<u>\$ -</u>	<u>\$ (299,796)</u>	<u>\$ (241,148)</u>

LAKE ST. MARTIN FIRST NATION

**SCHEDULE OF REVENUE AND EXPENDITURES
NEW COMMUNITY SITE DEVELOPMENT**

YEAR ENDED MARCH 31, 2019

	BUDGET	2019	2018
REVENUE	(unaudited)		
Indigenous and Northern Affairs Canada			
New Community Site Development	\$ -	\$ -	\$ 2,160,981
AS624 RoadsBr-Flex	542,154	660,273	\$ -
Province of Manitoba	-	660,273	-
	<u>542,154</u>	<u>1,320,546</u>	<u>2,160,981</u>
 EXPENDITURES			
Contractors & Professional fees	542,154	1,320,546	-
Engineering consulting	-	-	223,738
Community project	-	-	4,814,453
Bank charges	-	-	120
	<u>542,154</u>	<u>1,320,546</u>	<u>5,038,311</u>
 EXCESS OF REVENUE OVER EXPENDITURES (EXPENDITURES OVER REVENUE)	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>

LAKE ST. MARTIN FIRST NATION

**SCHEDULE OF REVENUE AND EXPENDITURES
MTS TELECOMMUNICATIONS PROJECT**

YEAR ENDED MARCH 31, 2019

	BUDGET	2019	2018
REVENUE	(unaudited)		
Indigenous and Northern Affairs Canada			
Connectivity (MTS project)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 765,956</u>
EXPENDITURES			
Telecom plant	<u>-</u>	<u>-</u>	<u>765,956</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

LAKE ST. MARTIN FIRST NATION

**SCHEDULE OF REVENUE AND EXPENDITURES
EDUCATION PLANNING DESIGN & CONSTRUCTION**

YEAR ENDED MARCH 31, 2019

	BUDGET	2019	2018
	(unaudited)		
REVENUE			
Indigenous and Northern Affairs Canada			
Education planning, design & construction	\$ 2,800,000	\$ 7,400,000	\$ 16,345,526
	2,800,000	7,400,000	16,345,526
EXPENDITURES			
Contractors & Professional fees	-	7,400,000	-
Computer & IT support	2,800,000	-	-
Project management	-	-	80,178
Design consulting	-	-	311,179
Management fees	-	-	26,000
Demolition-remediation	-	-	229,000
Teacherages	-	-	290,700
School building	-	-	15,408,469
	2,800,000	7,400,000	16,345,526
EXCESS OF REVENUE OVER EXPENDITURES	\$ -	\$ -	\$ -

LAKE ST. MARTIN FIRST NATION
SCHEDULE OF REVENUE AND EXPENDITURES
WATER WASTEWATER PROJECT

YEAR ENDED MARCH 31, 2019

	BUDGET	2019	2018
REVENUE	(unaudited)		
Indigenous and Northern Affairs Canada			
Water and sewage project funding	\$ -	\$ -	\$ 1,035,702
Province of Manitoba	-	82,338	547,432
	<u>\$ -</u>	<u>\$ 82,338</u>	<u>\$ 1,583,134</u>
 EXPENDITURES			
Project management	-	-	26,930
Engineering consulting	-	-	128,865
Management fees	-	-	200
Piping project	-	82,338	1,245,877
Water treatment project	-	-	32,096
Aerated lagoon project	-	-	149,041
Bank charges	-	-	125
	<u>-</u>	<u>82,338</u>	<u>1,583,134</u>
 EXCESS OF REVENUE OVER EXPENDITURES	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>

LAKE ST. MARTIN FIRST NATION

**SCHEDULE OF REVENUE AND EXPENDITURES
PLANNING AND DESIGN**

YEAR ENDED MARCH 31, 2019

	BUDGET	2019	2018
	(unaudited)		
REVENUE			
Indigenous and Northern Affairs Canada			
Planning and design	\$ -	\$ -	\$ 18,581,923
AS645 ReplHou - FLEX	350,000	1,018,979	-
AS979 HousPh2 - FLEX	-	14,177,456	-
Province of Manitoba	-	3,957,742	21,732,521
	<u>350,000</u>	<u>19,154,177</u>	<u>40,314,444</u>
EXPENDITURES			
Contractors & Professional fees	350,000	19,154,167	-
Project management	-	-	351,445
Management fees	-	-	64,000
Supplies	-	579,281	39,888,490
Professional services	-	-	10,290
Bank charges	-	-	219
	<u>350,000</u>	<u>19,733,448</u>	<u>40,314,444</u>
EXCESS OF EXPENDITURES OVER REVENUE	<u>\$ -</u>	<u>\$ (579,271)</u>	<u>\$ -</u>

LAKE ST. MARTIN FIRST NATION
SCHEDULE OF REVENUE AND EXPENDITURES
FIRE PROTECTION

YEAR ENDED MARCH 31, 2019

	BUDGET	2019	2018
REVENUES	(unaudited)		
Indigenous and Northern Affairs Canada			
AS646 PublWor - FLEX	\$ 2,646	\$ 2,646	\$ -
Province of Manitoba	-	2,646	-
Fire Protection	-	-	204,161
	<u>2,646</u>	<u>5,292</u>	<u>204,161</u>
EXPENDITURES			
Contractors & Professional fees	2,646	5,292	-
OHR project repairs and maintenance	-	-	204,161
	<u>2,646</u>	<u>5,292</u>	<u>204,161</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

LAKE ST. MARTIN FIRST NATION

**SCHEDULE OF REVENUE AND EXPENDITURES
PROJECT A626**

YEAR ENDED MARCH 31, 2019

	BUDGET	2019	2018
REVENUE	(unaudited)		
Province of Manitoba	\$ -	\$ -	\$ 502,220
EXPENDITURES			
Program expenses	-	-	502,220
EXCESS OF REVENUE OVER EXPENDITURES	\$ -	\$ -	\$ -

LAKE ST. MARTIN FIRST NATION

**SCHEDULE OF REVENUE AND EXPENDITURES
TEMPORARY BAND OFFICE**

YEAR ENDED MARCH 31, 2019

(Unaudited) Subject to Notice to Reader

	BUDGET	2019	2018
REVENUE	(unaudited)		
Indigenous and Northern Affairs Canada			
Temporary Band Office	\$ -	\$ 15,216	\$ 539,759
	-	15,216	539,759
EXPENDITURES			
Contractor & professional fees	-	15,216	-
Project management	-	-	50,000
Design consultant	-	-	5,234
Site preparation	-	-	99,069
Supplies	-	-	395,455
Utilities	-	-	6,200
	-	15,216	555,958
EXCESS OF EXPENDITURES OVER REVENUE	\$ -	\$ -	\$ (16,199)

LAKE ST. MARTIN FIRST NATION

**SCHEDULE OF REVENUE AND EXPENDITURES
TEMPORARY CLASSROOMS PROJECT**

YEAR ENDED MARCH 31, 2019

	BUDGET	2019	2018
	(unaudited)		
REVENUE			
Indigenous and Northern Affairs Canada			
Temporary classrooms project	\$ -	\$ 52,422	\$ 1,393,192
	-	52,422	1,393,192
EXPENDITURES			
Contractor & Professional Fees	-	52,422	-
Project management	-	-	57,007
Supplies	-	-	1,033,699
Site development and services	-	-	371,884
	-	52,422	1,462,590
EXCESS OF EXPENDITURES OVER REVENUE	\$ -	\$ -	\$ (69,398)