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# FOX LAKE CREE NATION

## CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2020

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# FOX LAKE CREE NATION

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MARCH 31, 2020

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## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Fox Lake Cree Nation and all the information in this annual report 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 prescribed for governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada and as such include amounts that are the best estimates and judgments of management.

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

The Chief and Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and is ultimately responsible for reviewing and approving the consolidated financial statements.

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 consolidated financial statements and the external auditors' report.

The external auditors, Baker Tilly HMA LLP, 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 financial management of Fox Lake Cree Nation and meet when required.

  
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Chief

  
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Councillor

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Councillor

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Councillor

**INDEPENDENT AUDITORS' REPORT**

To the Chief, Council and Membership  
Fox Lake Cree Nation

**Qualified Opinion**

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

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion Paragraphs, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Fox Lake Cree 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 Qualified 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 Fox Lake Cree 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 qualified opinion.

**Accounts Receivable**

We have been unable to satisfy ourselves with regard to the completeness, valuation and existence of accounts receivable and related revenues due to amounts not being properly maintained in the receivable sub-ledger, nor were documentation or agreements being retained. As a result, we were not able to assess whether potentially material adjustment were required to accounts receivable and related revenues.

**Accounts Payable and Accrued Liabilities**

We have been unable to satisfy ourselves with regard to the existence and completeness of the accounts payable due to invoices not being entered or available for review and the sub ledgers not being properly maintained. As a result, we were not able to assess whether potentially material adjustments were required to accounts payable and accrued liabilities.

**Joint Ventures**

We have been unable to satisfy ourselves with the rights and obligation and valuation of joint venture, due to non-availability of the information. As a result, we were not able to assess whether potentially material adjustment were required to investment and related revenue and expenses.

*(continued.....)*

## **Other Matters**

The financial statements for the year ended March 31, 2019 were audited by another firm of Chartered Professional Accountants who expressed a qualified opinion on those financial statements on January 17, 2020.

## **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 Fox Lake Cree 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 Fox Lake Cree Nation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Fox Lake Cree Nation's financial reporting process.

## **Auditors' Responsibility for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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 Fox Lake Cree Nation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

*(continued.....)*

- 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 Fox Lake Cree 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 Fox Lake Cree 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  
May 24, 2022

# FOX LAKE CREE NATION


STATEMENT 1


## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MARCH 31

|   | 2020                 | 2019                 |
|---|----------------------|----------------------|
| <b>FINANCIAL ASSETS</b>                                 |                      |                      |
| Cash and cash equivalents                               | \$ 14,154,914        | \$ 8,667,819         |
| Restricted Cash (Note 3)                                | 879,129              | 1,063,530            |
| Accounts receivable (Note 4)                            | 3,797,880            | 21,945,196           |
| Investments (Note 6)                                    | 74,755,730           | 51,772,474           |
| Investment in joint ventures (Note 7)                   | <u>535,416</u>       | <u>1,008,777</u>     |
|   | <u>94,123,069</u>    | <u>84,457,796</u>    |
| <b>LIABILITIES</b>                                      |                      |                      |
| Bank indebtedness                                       |                      | 368,993              |
| Accounts payable & accruals (Note 8)                    | 2,224,951            | 6,339,151            |
| Deferred revenue & other long-term liabilities (Note 9) | 2,800,161            | 1,089,623            |
| Long-term debt (Note 10)                                | 67,179,017           | 54,361,351           |
| Leases (Note 11)  | 235,855              | 284,350              |
| Accountable Mortgage Advances                           | -                    | <u>522,677</u>       |
| Total liabilities                                       | <u>72,439,984</u>    | <u>62,966,145</u>    |
| Net debt  | <u>21,683,085</u>    | <u>21,491,651</u>    |
| <b>NON-FINANCIAL ASSETS</b>                             |                      |                      |
| Capital assets (Note 12)                                | 28,937,745           | 29,705,049           |
| Inventory (Note 5)                                      | 47,461               | 60,114               |
| Prepaid expenses & other current assets                 | <u>148,754</u>       | <u>691</u>           |
| Total non-financial assets                              | <u>29,133,960</u>    | <u>29,765,854</u>    |
| Accumulated surplus (Note 13)                           | <u>\$ 50,817,045</u> | <u>\$ 51,257,505</u> |

Approved on behalf of Council

  
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Chief

  
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Councillor

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Councillor

# FOX LAKE CREE NATION

STATEMENT 2

## CONSOLIDATED STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31

|   | BUDGET<br>(UNAUDITED) | 2020                 | 2019                 |
|---|-----------------------|----------------------|----------------------|
| <b>REVENUE</b>                                |                       |                      |                      |
| Indigenous Services Canada                    | \$                    | \$ 1,952,503         | \$ 1,547,299         |
| First Nations and Inuit Health                |                       | 1,718,552            | 1,400,752            |
| Canada Mortgage and Housing Corporation       |                       | 126,495              | 93,069               |
| I.S.C. clawback                               |                       | ( 50,554)            |                      |
| Funding recoveries                            |                       | ( 127,122)           | ( 11,241)            |
| Province of Manitoba                          |                       | 73,391               | 66,604               |
| Manitoba Hydro                                |                       | 4,204,968            | 3,789,757            |
| Administration fees                           |                       | (30,071)             | (32,854)             |
| Contributions                                 |                       | 348,259              |                      |
| Gaming revenue                                |                       | 968,790              | 1,022,175            |
| Income from long term investments             |                       | 788,332              | 152,566              |
| Investment income                             |                       | 9,542,421            | 17,262,095           |
| Other revenue                                 |                       | 2,109,936            | 2,110,476            |
| Rental income                                 |                       | 667,444              | 1,218,760            |
| Sales   |                       | 322,367              | 198,767              |
| Deferred revenue from prior year              |                       | 1,089,623            | 316,983              |
| Deferred revenue to following year            | -                     | ( 2,800,161)         | ( 1,089,623)         |
|   | -                     | <u>20,905,173</u>    | <u>28,045,585</u>    |
| <b>EXPENDITURES</b>                           |                       |                      |                      |
| Governance and administration                 |                       | 3,864,909            | 3,231,390            |
| Economic development                          |                       | 9,770                | 63,266               |
| Social services                               |                       | 350,794              | 310,135              |
| Health  |                       | 1,180,112            | 1,115,711            |
| Public works                                  |                       | 1,381,106            | 1,455,848            |
| Implementation and future development         |                       | 3,105,066            | 2,744,465            |
| Operating programs                            |                       | 488,248              | 321,300              |
| Education                                     |                       | 56,651               | 39,782               |
| Nikanihk Itapowin Trust                       |                       | 884,599              | 191,071              |
| Band housing                                  |                       | 2,336,765            | 1,756,396            |
| CMHC housing                                  |                       | 149,906              | 135,342              |
| Capital and capital projects                  |                       |                      | 7,988                |
| First Nation programs                         |                       | 6,560,402            | 12,569,866           |
| Gaming centre and smoke shop                  | -                     | <u>977,305</u>       | <u>995,784</u>       |
|   | -                     | <u>21,345,633</u>    | <u>24,938,344</u>    |
| ANNUAL SURPLUS (DEFICIT)                      | -                     | ( 440,460)           | 3,107,241            |
| ACCUMULATED SURPLUS, <i>beginning of year</i> | <u>51,257,505</u>     | <u>51,257,505</u>    | <u>48,150,264</u>    |
| ACCUMULATED SURPLUS, <i>end of year</i>       | <u>\$ 51,257,505</u>  | <u>\$ 50,817,045</u> | <u>\$ 51,257,505</u> |



**CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS**

**YEAR ENDED MARCH 31**

|  | BUDGET<br>(UNAUDITED) | 2 0 2 0              | 2 0 1 9              |
|--|-----------------------|----------------------|----------------------|
| Annual deficit                                     | \$ <u>-</u>           | \$( <u>440,460</u> ) | \$ <u>3,107,241</u>  |
| Acquisition of tangible capital assets             |                       | ( <u>2,915,342</u> ) | ( <u>4,006,965</u> ) |
| Tangible capital assets acquired via capital lease |                       |                      | ( <u>303,560</u> )   |
| Amortization of tangible capital assets            |                       | <u>3,527,288</u>     | <u>3,025,835</u>     |
| Disposal of tangible capital assets                |                       | <u>68,488</u>        |                      |
| Asset under construction disposal                  |                       | <u>1,133,170</u>     |                      |
| Acquisition of construction in progress            | <u>-</u>              | ( <u>1,046,300</u> ) | <u>-</u>             |
|  | <u>-</u>              | <u>767,304</u>       | ( <u>1,284,690</u> ) |
| Acquisition of supplies and inventories            |                       | ( <u>47,461</u> )    | ( <u>60,114</u> )    |
| Acquisition of prepaid expenses                    |                       | ( <u>148,754</u> )   | ( <u>691</u> )       |
| Use of supplies and inventories                    |                       | <u>60,114</u>        | <u>51,586</u>        |
| Consumption of prepaid expenses                    | <u>-</u>              | <u>691</u>           | <u>68,302</u>        |
|  | <u>-</u>              | ( <u>135,410</u> )   | <u>59,083</u>        |
| CHANGE IN NET ASSETS FOR YEAR                      | -                     | <b>191,434</b>       | 1,881,634            |
| NET ASSETS, <i>beginning of year</i>               | <u>21,491,651</u>     | <u>21,491,651</u>    | <u>19,610,017</u>    |
| NET ASSETS, <i>end of year</i>                     | <u>\$ 21,491,651</u>  | <u>\$ 21,683,085</u> | <u>\$ 21,491,651</u> |

## CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31

|   | 2020                 | 2019                |
|---|----------------------|---------------------|
| CASH FLOW FROM  |                      |                     |
| <i>OPERATING ACTIVITIES</i>   |                      |                     |
| Cash received from funding and other sources                        | \$ 40,763,027        | \$ 28,503,485       |
| Cash paid to suppliers and employees                                | ( 20,980,325)        | ( 24,938,344)       |
|   | <u>19,782,702</u>    | <u>3,565,141</u>    |
| <i>CAPITAL ACTIVITIES</i>   |                      |                     |
| Acquisition of tangible capital assets and construction in progress | ( 2,671,189)         | ( 4,006,965)        |
| Sale of tangible capital assets                                     | <u>68,488</u>        | <u>-</u>            |
|   | <u>( 2,602,701)</u>  | <u>( 4,006,965)</u> |
| <i>INVESTING ACTIVITIES</i>   |                      |                     |
| Change in investment in joint ventures                              | 419,934              | ( 6,927)            |
| Change in investment  | ( 10,838,156)        | ( 214,352)          |
| Restricted cash   | ( 184,401)           | ( 404,513)          |
|   | <u>( 10,602,623)</u> | <u>( 625,792)</u>   |
| <i>FINANCING ACTIVITIES</i>   |                      |                     |
| Proceeds from long term debt  | 951,841              | 2,245,862           |
| Repayment of long term debt   | ( 1,624,636)         | ( 175,725)          |
| Repayment of capital lease obligation                               | ( 48,495)            | ( 19,210)           |
| Accountable mortgage advance  | <u>-</u>             | <u>522,677</u>      |
|   | <u>( 721,290)</u>    | <u>2,573,604</u>    |
| NET INCREASE IN CASH DURING YEAR                                    | 5,856,088            | 1,505,988           |
| CASH, <i>beginning of year</i>                                      | <u>8,298,826</u>     | <u>6,792,838</u>    |
| CASH, <i>end of year</i>  | <u>\$ 14,154,914</u> | <u>\$ 8,298,826</u> |
| CASH COMPRISED OF   |                      |                     |
| Cash and cash equivalents   | \$ 14,154,914        | \$ 8,667,819        |
| Bank indebtedness   | <u>-</u>             | <u>( 368,993)</u>   |
|   | <u>\$ 14,154,914</u> | <u>\$ 8,298,826</u> |

# FOX LAKE CREE NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2020

### 1. NATURE OF OPERATIONS

Fox Lake Cree Nation (the "Cree Nation") is located in the Province of Manitoba, and provides various services to its Members. Fox Lake Cree Nation includes the Cree Nation government and all related entities that are accountable to the Cree Nation and are either owned or controlled by the Cree Nation.

### 2. SIGNIFICANT ACCOUNTING POLICIES

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 Chartered Professional Accountants of Canada, and include the following significant accounting policies:

#### *REPORTING ENTITY*

The Fox Lake Cree Nation reporting entity includes the Fox Lake Cree Nation government and all related entities which are accountable to the Cree Nation and are either owned or controlled by the Cree Nation. Trusts administered on behalf of third parties by Fox Lake Cree Nation are excluded from the Cree Nation reporting entity.

These consolidated financial statements combine the assets, liabilities and results of operations for the following entities which use accounting principles which lend themselves to combination:

- |   |   |
|---|---|
| • Fox Lake Cree Nation Band                           | • Fox Lake Social                         |
| • Fox Lake Ventures LP                                | • Fox Lake Ventures Ltd.                  |
| • Fox Lake Construction LP                            | • Fox Lake Construction Ltd.              |
| • Fox Lake Rentals LP                                 | • Fox Lake Rentals Ltd.                   |
| • Fox Lake Land LP                                    | • Fox Lake Land Corporation               |
| • Makeso Land LP                                      | • Makeso Land Corporation                 |
| • FLCN Keeyask Investment Inc.                        | • Nikanihk Itapowin (Future Vision) Trust |
| • Fox Lake Health                                     | • Fox Lake CMHC Housing Authority         |
| • Fox Lake Smoke Shop                                 | • Fox Lake Gaming Centre                  |
| • Fox Lake Implementation & Future Development Office | • Gillam Insurance Agency Ltd             |

All inter-entity balances have been eliminated on consolidation.

Fox Lake Cree Nation partnerships, which are owned or controlled by the Cree Nation's Council but not dependent on the Cree Nation for their continuing operations, are included in the consolidated financial statements. Fox and York Keeyask Joint Venture is accounted for using the modified equity method. The Cree Nation's 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 received.

Portfolio investments, which are owned by Fox Lake Cree Nation but not controlled or influenced by the Cree Nation, are accounted for using the cost method. Any impairment in these investments which is other than temporary is charged against the amount the investment is reported. The Cree Nation has a portfolio investment in Keeyask Hydro Power Limited Partnership.

#### *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 a legal obligation to pay.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2020

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2. SIGNIFICANT ACCOUNTING POLICIES *(continued)**CASH AND CASH EQUIVALENTS*

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

*INVESTMENTS**Investments in First Nation Partnerships*

The Cree Nation follows the modified equity method to account for its investments in Fox and York Keeyask Joint Venture and A Kwis Mahka Joint Venture. The investments are stated at cost plus (less) the Cree Nations's share of earnings (losses) since acquisition plus (less) capital and operating transfers to (from) the business enterprises. The consolidated statement of operations includes the annual surplus (deficit) for the year ended March 31, 2020.

*Portfolio Investments*

Marketable securities and portfolio investments are recorded at the lower of cost and fair market value.

*Funds held in trust*

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

*FINANCIAL ASSETS*

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

*NON-FINANCIAL ASSETS*

The Cree 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.

*ASSET CLASSIFICATION*

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

## 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 with the cost being determined by the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated selling costs.

*TANGIBLE CAPITAL ASSETS*

Tangible capital assets are initially recorded at cost and recorded in the capital assets. Social housing assets acquired under Canada Mortgage and Housing Corporation sponsored programs are amortized over their estimated useful lives at a rate equivalent to the annual principal reduction in the related long-term debt. Amortization of tangible capital assets is recorded on a straight line basis at the following rates.

|                               |     |
|-------------------------------|-----|
| Buildings                     | 5%  |
| Equipment                     | 10% |
| Computer                      | 25% |
| Equipment under capital lease | 10% |
| Vehicles                      | 20% |

*ASSETS UNDER CONSTRUCTION*

Assets under construction represents the total cost of assets being constructed that are not available for use. When the construction phase has been completed and the assets are available for use they are recorded as tangible capital assets. Assets under construction are not amortized until the assets are put into use.

*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 Cree 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, exceeds the value of future economic benefits associated with the asset. Impairment is measured as the amount by which the assets' carrying value exceeds the residual value of the assets' service potential to the Cree Nation. Any impairment is included in operations for the year.

*REVENUE RECOGNITION*

All revenue is recorded on the accrual basis whereby amounts received or recorded as receivable but not earned by the end of the fiscal year are recorded as deferred revenue.

Funding received under the terms of contribution agreements with the federal government is recognized as revenue once eligibility criteria have been met. Funding is recorded as deferred revenue if it has been restricted by the federal government for a stated purpose, such as a specific program or the purchase of tangible capital assets. Deferred revenue is recognized in revenue over time as the recognition criteria are met.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2020

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

The Cree Nation recognizes VLT revenue as the net win from gaming activities (the difference between gaming wins and gaming losses), consisting of slot machines, on a daily basis. Gaming revenue is net of commissions paid to Manitoba Liquor and Lotteries Corporation. Management believes that it is appropriate to present these commissions net of gaming revenue as these amounts are fixed as per their agreement with Manitoba Liquor and Lotteries Corporation.

Rent and resident fees are recorded in the year it is earned. At the end of each year, management evaluates the extent of the collectability of its rent revenue and records a bad debt expense and an allowance for doubtful accounts for amounts designated as unlikely to be collected.

**EMPLOYEE FUTURE BENEFITS**

The Cree Nation's employee future benefit programs consist of defined contribution pension plans. The Cree Nation's contributions to the defined contribution plans are expensed as incurred.

**FINANCIAL INSTRUMENTS**

Financial instruments include cash, accounts receivable, restricted cash, portfolio investments, bank indebtedness, accounts payable and accrued liabilities, long term debt, and accountable mortgage advances. Unless otherwise stated, it is management's opinion that the Cree Nation is not exposed to significant interest, currency, or credit risks arising from these financial instruments.

**USE OF ESTIMATES**

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of 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 year. Actual results could differ from those estimates. Items requiring significant estimates include the allowance for doubtful accounts and the useful life of tangible capital assets.

**LIABILITY FOR CONTAMINATED SITES**

A liability for remediation of contaminated sites is recognized at the best estimate of the amount required to remediate the contaminated sites when contamination exceeding an environmental standard exists, the Cree Nation is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at March 31, 2020.

At each financial reporting date, the Cree Nation reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. The Cree Nation continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

**SEGMENTS**

The Cree Nation conducts its business through a number of reportable segments. These operating segments are established by senior management to facilitate the achievement of the Cree 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. The Cree Nation's segments are as follows:

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2020

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2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

*Band Housing* - includes the management and maintenance of houses for community members.

*CMHC Housing* - activities include the management and maintenance of CMHC houses for community members.

*Capital and Capital Projects* - includes the operations and maintenance of all reserve housing.

*Economic Development* - includes the activities of the Cree Nation's economic development initiatives.

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

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

*Health* - activities include delivering health services to the Cree Nation.

*Implementation & Future Development Office* - focus is to train band members in trades which will enable them to work within the hydroelectric development plants and, upon completion, have the skills to continue to work outside the hydroelectric plant.

*Nikanihk Itapowin Trust* - the result of negotiations in 2004 with Manitoba Hydro and the Province of Manitoba on past grievances. These funds are deemed by the Fox Lake Cree Nation Chief and Council to be used for assisting in the development of current and future generations of the Fox Lake Cree Nation membership.

*Operating Programs* - reports on other operations of the Cree Nation.

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

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

*Ventures* - activities include providing goods and services in relation to hydro-electric development projects.

*Construction* - activities include providing construction services.

*Keeyask Investment* - holds a limited partnership interest in the Keeyask Hydropower Limited Partnership on behalf of the Fox Lake Cree Nation. The limited partnership will construct, own, and operate the Keeyask Generating Station.

*Rentals* - activities include providing equipment and vehicle rentals.

*Land Holdings* - holds land assets for the Cree Nation.

*Gaming Centre* - activities include providing a form of gaming entertainment for community members which generates revenue for discretionary needs of community members.

*Smoke Shop* - activities include the sale of tobacco and other miscellaneous items to community members which generates revenue for discretionary needs of community members.

*Gillam Insurance Agency Ltd.* - activities include the sale of general insurance and autopac insurance products and services to community members.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2020

## 3. RESTRICTED CASH

*CMHC Replacement Reserve*

As required as part of the Cree 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 tangible capital assets. 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. At March 31, 2020, \$297,787 \$ (2019 - \$16,196) had been deposited, leaving an unfunded balance of \$0 (2019 - \$230,516).

*CMHC Operating Surplus Reserve*

Under the terms of the agreements with CMHC, excess federal assistance payments received may be retained in an operating surplus reserve. The reserve is to be comprised of monies deposited in a separate bank accounts 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. The funds in this account may only be used to meet future subsidy requirements of income-tested occupants. At March 31, 2020, the reserve has been funded in a separate interest bearing account, with a balance of \$283,126. This amount was deposited by the Cree Nation to cover the deficits in the replacement reserve and operating reserve.

*Cash*

The Nikanihk Itapowin (Future Vision) Trust is a separately maintained fund of the Fox Lake Cree Nation. The Trust is the result of negotiations, in 2004, with Manitoba Hydro and the Province of Manitoba on past grievances. These funds are deemed by the Fox Lake Cree Nation to be used for assisting in the development of current and future generations of the Fox Lake Cree Nation membership.

*Ottawa Trust Fund*

The Ottawa Trust Fund arises from monies derived from capital or revenue sources as outlined in Section 62 of the Indian Act. 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 Cree Nation on the authorization of the Minister of Indigenous Services Canada, with the consent of the Cree Nation's Chief and Council.

|  |  |                     |
|--|--|---------------------|
| Capital Trust  | \$1,635 (2019- \$1,635); interest revenue \$nil (2019- \$nil)  |                     |
| Revenue Trust  | \$13,255 (2019- \$13,019); interest revenue \$236 (2019-\$328) |                     |
|  | <b>2 0 2 0</b>   | <b>2 0 1 9</b>      |
| GIC - Matures October 31, 2020 with interest 1.80% per annum | \$ 500,000   | \$ 500,000          |
| CMHC Replacement Reserve                                     | 297,787  | 16,196              |
| Cash   | 66,452   | 532,680             |
| Ottawa Trust Fund  | <u>14,890</u>  | <u>14,654</u>       |
|  | <u>\$ 879,129</u>  | <u>\$ 1,063,530</u> |



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2020

## 4. ACCOUNTS RECEIVABLE

|  | 2 0 2 0             | 2 0 1 9              |
|--|---------------------|----------------------|
| Manitoba Hydro                                 | \$ 693,510          | \$ 12,162,209        |
| Indigenous Services Canada                     | 613,456             | 1,528,973            |
| Employee, member advances and rents receivable | 552,151             | 539,817              |
| Canada Mortgage and Housing Corporation        | 16,112              | 7,755                |
| Other accounts receivable                      | 1,879,821           | 6,459,994            |
| GST receivables                                | 232,936             | 119,249              |
| Related Party - Joint Ventures                 | 200,000             | 1,286,837            |
| DBA Sodexo Canada Ltd.                         | 60,081              | 429,222              |
| First Nations and Inuit Health                 | <u>174,640</u>      | <u>-</u>             |
| Subtotal                                       | 4,422,707           | 22,534,056           |
| Less: Allowance for doubtful accounts          | ( 624,827)          | ( 588,860)           |
|  | <u>\$ 3,797,880</u> | <u>\$ 21,945,196</u> |

## 5. INVENTORY

|                      | 2 0 2 0          | 2 0 1 9          |
|----------------------|------------------|------------------|
| Smoke Shop inventory | \$ 42,829        | \$ 60,114        |
| Smoke Shop POS       | <u>4,632</u>     | <u>-</u>         |
|                      | <u>\$ 47,461</u> | <u>\$ 60,114</u> |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2020

## 6. INVESTMENTS

|   | 2 0 2 0              | 2 0 1 9              |
|---|----------------------|----------------------|
| Keeyask Hydro Power Limited Partnership - 5%                    |                      |                      |
| Cost  | \$ 54,541,666        | \$ 45,056,666        |
| Deferred interest charges                                       | <u>7,377,414</u>     | <u>4,717,544</u>     |
|   | \$ <u>61,919,080</u> | \$ <u>49,774,210</u> |
| Guaranteed Investment Certificates                              |                      |                      |
| Matures April 2, 2020, interest bearing at 2% per annum         | \$ 116,456           | \$ 116,226           |
| Matures September 22, 2020, interest bearing at 0.50% per annum | <u>180,000</u>       | <u>180,000</u>       |
|   | \$ <u>296,456</u>    | \$ <u>296,226</u>    |
| Mutual Fund Investments, cost                                   |                      |                      |
| Sun Life Financial  | \$ 186,168           | \$ 186,168           |
| Assante Wealth Management Managed Assets                        | <u>12,354,026</u>    | <u>1,515,870</u>     |
|   | \$ <u>12,540,194</u> | \$ <u>1,702,038</u>  |
|   | \$ <u>74,755,730</u> | \$ <u>51,772,474</u> |

*Keeyask Hydro Power Limited Partnership*

The Cree Nation owns 350 Class K units and 150 Class E units in the Keeyask Hydro Power Limited Partnership ("KHLP") for a total of \$54,541,667 (March 31, 2019 - \$45,056,666). Deferred interest charges of \$7,377,414 as at March 31, 2020 (March 31, 2019 - \$4,717,544) represent accrued interest on the loan with Manitoba Hydro related to the Cree Nation's investment in KHLP. These interest charges will continue to be carried at cost and expensed against related partnership income.

*Mutual Fund Investment*

The market value of the investment at March 31, 2020 as reported by Sun Life Financial is \$188,892 (2019 - \$185,997).

The market value of the investment at March 31, 2020 as reported by Assante Wealth Management is \$12,354,026 (2019 - \$2,020,430).

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**MARCH 31, 2020**
**7. INVESTMENTS IN JOINT VENTURES**

|  | <b>2 0 2 0</b>    | <b>2 0 1 9</b>      |
|--|-------------------|---------------------|
| Fox and York Keeyask Joint Venture (FYKJV) - 50% Equity Method |                   |                     |
| Investment cost  | \$ 1              | \$ 1                |
| Cumulative share of (loss)                                     | ( 49,920)         | ( 36,340)           |
| Advances   | 413,501           | 412,606             |
| Impairment   | ( 99,839)         | ( 72,678)           |
|  | <u>263,743</u>    | <u>303,589</u>      |
| A Kwis Mahka Joint Venture (AKKMJV ) - 50% Equity Method       |                   |                     |
| Investment cost  | 1                 | 1                   |
| Cumulative share of income                                     | <u>271,672</u>    | <u>705,187</u>      |
|  | <u>271,673</u>    | <u>705,188</u>      |
|  | <u>\$ 535,416</u> | <u>\$ 1,008,777</u> |

The following table present condensed financial information for joint ventures accounted for using modified equity method.

|                                 | FYKJV<br>March 31,<br>2020 | AKKMJV<br>May 31, 2020 | <b>2 0 2 0</b>         | <b>2 0 1 9</b>      |
|---------------------------------|----------------------------|------------------------|------------------------|---------------------|
| Cash                            | \$ 201,747                 | \$ 606,418             | \$ 808,165             | \$ 4,725,708        |
| Account Receivable              | 196,237                    | 58,861                 | 255,098                | 5,014,032           |
| Property and equipment          | <u>4,196</u>               | <u>-</u>               | <u>4,196</u>           | <u>3,779</u>        |
| <b>TOTAL ASSETS</b>             | <u>\$ 402,180</u>          | <u>\$ 665,279</u>      | <u>\$ 1,067,459</u>    | <u>\$ 9,743,519</u> |
| Account Payable and Accrual     | \$ 89,478                  | \$ -                   | \$ 89,478              | \$ 2,892,421        |
| Due to Fox Lake Construction LP |                            |                        |                        | 4,786,187           |
| Due to Fox Lake Venture LP      | 412,541                    |                        | 412,541                | 412,606             |
| Manitoba Hydro Advance          | <u>-</u>                   | <u>-</u>               | <u>-</u>               | <u>32,533</u>       |
| <b>TOTAL LIABILITIES</b>        | <u>502,019</u>             | <u>-</u>               | <u>502,019</u>         | <u>8,123,747</u>    |
| <b>JOINT VENTURE CAPITAL</b>    | <u>\$ ( 99,839)</u>        | <u>\$ 665,279</u>      | <u>\$ 565,440</u>      | <u>\$ 1,619,772</u> |
| REVENUE                         | \$ 445,499                 | \$ 2,066,845           | \$ 2,512,344           | \$ 19,451,551       |
| EXPENDITURES                    | <u>472,662</u>             | <u>6,724,356</u>       | <u>7,197,018</u>       | <u>17,774,799</u>   |
| <b>NET INCOME (LOSS)</b>        | <u>\$ ( 27,163)</u>        | <u>\$ ( 4,657,511)</u> | <u>\$ ( 4,684,674)</u> | <u>\$ 1,676,752</u> |

**Fox Lake York Keeyask Joint Venture (FYKJV)**

Fox Lake Cree Nation and York Factory Nation agrees to create a business partnership, to be called the Fox Lake York Keeyask Joint Venture. The purpose of the joint venture is to provide employment retention and support services.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2020

7. INVESTMENTS IN JOINT VENTURES *(continued)*A Kwis Mahka Joint Venture (AKKMJV)

Fox Lake Ventures Limited Partnership entered in to a joint venture with 50% ownership with Oodanooketoh Incorporated, operating as A Kwis Mahka Joint Venture ("AKKMJV"). The main purpose is to perform the decommissioning of Leewatinohk Camp.

## 8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

|                                | 2 0 2 0             | 2 0 1 9             |
|--------------------------------|---------------------|---------------------|
| Trade payables and accruals    | \$ 1,754,853        | \$ 5,113,857        |
| Wages and benefits payable     | 157,972             | 97,862              |
| Taxes payable                  | 184,783             | 893,087             |
| Indigenous Services Canada     | 127,122             | 234,124             |
| First Nations and Inuit Health | <u>221</u>          | <u>221</u>          |
|                                | <u>\$ 2,224,951</u> | <u>\$ 6,339,151</u> |

## 9. DEFERRED REVENUE

|                            | 2 0 2 0             | 2 0 1 9             |
|----------------------------|---------------------|---------------------|
| Indigenous Services Canada |                     |                     |
| A & C Water Systems        | \$ 263,031          | \$                  |
| Community Buildings        |                     | 151,136             |
| Community Well Being       | 126,520             |                     |
| Discussion Tables          | 59,122              |                     |
| Pandemic Response          | 67,785              |                     |
| Renovations Project        | <u>400,000</u>      | <u>-</u>            |
|                            | <u>916,458</u>      | <u>151,136</u>      |
| First Nation Inuit Health  |                     |                     |
| Jordan's Principle         | 1,517,996           | 899,430             |
| Other programs             |                     |                     |
| Climate Change             | 27,393              | 39,057              |
| Adverse Effect             | 282,536             |                     |
| Relationship Manager       | <u>55,778</u>       | <u>-</u>            |
|                            | <u>365,707</u>      | <u>39,057</u>       |
|                            | <u>\$ 2,800,161</u> | <u>\$ 1,089,623</u> |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2020

## 10. LONG TERM DEBT

|  | 2020       | 2019       |
|--|------------|------------|
| Phase 2: CMHC mortgage repayable in monthly payments of \$1,429 including interest at 2.39%, maturity date of October 1, 2027 with a renewal date of February 1, 2023, secured by a Ministerial guarantee and assignment of fire insurance for a four-unit rental housing project.   | \$ 118,830 | \$ 132,957 |
| Phase 3: CMHC mortgage repayable in monthly payments of \$938 including interest at 2.01%, maturity date of June 1, 2028 with a renewal date of October 1, 2019, secured by a Ministerial guarantee and assignment of fire insurance for a two-unit rental housing project.  | 86,514     | 95,017     |
| Phase 5: CMHC mortgage repayable in monthly payments of \$1,696 including interest at 2.39%, maturity date of March 1, 2033 with a renewal date of March 1, 2023, secured by a Ministerial guarantee and assignment of fire insurance for a six-unit rental housing project.   | 227,446    | 242,189    |
| Phase 6: CMHC mortgage repayable in monthly payments of \$4,101 including interest at 1.77%, maturity date of November 1, 2029 with a renewal date of November 1, 2019, secured by a Ministerial guarantee and assignment of fire insurance for a five-unit rental housing project.  | 817,534    | 851,974    |
| Phase 7: CMHC mortgage repayable in monthly payments of \$4,031 including interest at 1.73%, maturity date of August 1, 2039 with a renewal date of August 1, 2024, secured by a Ministerial guarantee and assignment of fire insurance for a four-unit rental housing project.  | 797,771    |            |
| Manitoba Hydro loan to be repaid from a percentage of Fox Lake Keeyask Investment Inc. (FLKII)'s share of income from Keeyask Hydro Power Limited Partnership (KHLP). Interest on this loan accrues at 3.52% (3.74% at March 31, 2019), compounded monthly, secured by FLKII's units in KHLP and all distributions on those units. The total balance of this loan includes accrued interest payable of \$7,377,414 (2019 - \$4,717,544). | 61,469,081 | 49,324,210 |
| Loan payable in monthly payments of \$1,223 including interest at 3.49% per annum, maturity date of October 2023. Secured by vehicle with a net book value of \$59,082.  | 49,384     | 61,711     |
| Loan payable in monthly payments of \$719 including interest at 3.49% per annum, maturity date of October 2023. Secured by vehicle with a net book value of \$37,513.  | 28,674     | 35,833     |
| Mortgage repayable in monthly payments of \$6,146 including interest at 4.50% per annum, maturity date of September 2023. Secured by building and land with a net book value of \$1,530,875. (*)   | 936,613    | 967,857    |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2020

10. LONG TERM DEBT *(continued)*

|  | 2 0 2 0              | 2 0 1 9              |
|--|----------------------|----------------------|
| Loan payable in monthly payments of \$2,175 including interest at 6.70% per annum, maturity date of October 2023. Secured by heavy equipment with a net book value of \$113,437.   | \$ 81,199            | \$ 99,527            |
| Loan payable in monthly payments of \$9,366 including interest at 6.70% per annum, maturity date of October 2023. Secured by heavy equipment with a net book value of \$559,693.   | 357,159              | 442,493              |
| Loan payable in monthly payments of \$7,264 including interest at 6.70% per annum, maturity date of October 2023. Secured by heavy equipment with a net book value of \$426,313.   | 277,016              | 343,201              |
| Loan payable in monthly payments of \$1,271 including interest at 3.49% per annum, maturity date of October 2023. Secured by vehicle with a net book value of \$61,064.  | 51,286               | 64,089               |
| Loan payable in monthly payments of \$1,271 including interest at 3.49% per annum, maturity date of October 2023. Secured by vehicle with a net book value of \$61,064.  | 51,286               | 64,089               |
| Loan payable in monthly payments of \$1,243 including interest at 3.49% per annum, maturity date of October 2023. Secured by vehicle with a net book value of \$59,888.  | 50,157               | 62,678               |
| Loan payable in monthly payments of \$3,013 including interest at 7.85% per annum, maturity date of July 2024. Secured by vehicle with a net book value of \$164,654.  | 130,339              |                      |
| Loan payable in monthly payments of \$864 including interest at 7.00% per annum, maturity date of September 2022. Secured by general security agreement, specific assignment of ISC funds and chattel mortgage over vehicle. | 23,731               |                      |
| Manitoba Hydro - Keeyask/Conawapa/SCHIP/HGD Claims   |                      |                      |
| (see description)  | 558,328              | 529,974              |
| Manitoba Hydro - Rental Advance (see description)  | 100,000              | 100,000              |
| Manitoba Hydro - Training Plan (2002) (see description)  | <u>966,669</u>       | <u>943,552</u>       |
|  | <u>\$ 67,179,017</u> | <u>\$ 54,361,351</u> |

The scheduled principal amounts payable within the next five years, assuming long-term debt subject to refinancing is renewed, is estimated to be as follows:

|                |            |
|----------------|------------|
| March 31, 2021 | \$ 464,503 |
| 2022           | 484,912    |
| 2023           | 501,295    |
| 2024           | 392,300    |
| 2025           | 231,689    |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2020

10. LONG TERM DEBT *(continued)**Keeyask/Conawapa/SCHIP/HGD Claims*

Amount owing to Manitoba Hydro as a result of a review of reimbursement payments made to the Cree Nation by Manitoba Hydro during the period April 2007 through to March 2010 inclusive, in four programs, known as the Keeyask Project planning process, Conawapa Project planning process, Harmonized Gillam Development and the Social Cultural Health Impact Study ("SCHIP").

\$382,610 is to be paid to Manitoba Hydro on or before January 1, 2030 with interest at the rate of 5.35% compounded annually beginning on January 1, 2013. To the extent that the Cree Nation may be in default, Manitoba Hydro shall be entitled to off-set any monies owing to the Cree Nation on account of adverse effects payments or on account of revenues, from either the Keeyask Project, or the Conawapa Project against the amounts owing.

*Rental Advance*

Rental advance is repayable 30 days after the completion of the Keeyask project future development ("Final Closing Date"). This advance is non-interest bearing until the Final Closing Date. However, in lieu of paying the outstanding amount on that date, the Cree Nation may elect at the Final Closing Date to repay the entire outstanding amount or, any unpaid balance not paid on the 30th day after the Final Closing Date may be repaid over a ten year period with the ten year bond rate or, alternatively, over a 20 year period with the 20 year bond rate. The interest shall accrue, calculated and compounded annually, at the applicable rates commencing on the 30th day after the Final Closing Date. The rental advance is unsecured.

*Training Plan (2002)*

Manitoba Hydro advanced a repayable financial contribution in the amount of \$518,000 to fund the Cree Nation's member training plan for 2002-2003. The Cree Nation and Manitoba Hydro agree that the contribution plus interest, thereon calculated at a rate per annum equal to the prime rate of interest established from time to time by the Royal Bank of Canada, will be repaid and constitute a charge against the net income received or to be received by the Cree Nation from its equity interest in the Keeyask Project. The training plan is unsecured.

Manitoba Hydro at its option may demand repayment of the monies contributed by Manitoba Hydro pursuant to the agreement together with all interest earned thereon; deduct and set off the amount contributed together with all interest earned thereon, from and against any other obligation or liability of Manitoba Hydro to Fox Lake Cree Nation; or release its right to repayment of the contribution and apply the amount thereof towards any future programs of benefit to the Cree Nation, which Manitoba Hydro may, in its sole discretion, put in place.

Prime rate as at March 31, 2020 was 2.45% (2019 - 3.95%).

(\*) The mortgage payable is subject to certain financial and non-financial covenants. Fox Lake Ventures LP (the "Borrower") is in compliance with all financial covenants, but not the non-financial covenants, which include the submission of financial statements for the Borrower within 150 days of year end, and the maintenance of a capital reserve account with the financial institution equal to 1.00% of gross revenue (calculated as \$17,162 as at March 31, 2020; \$28,736 in 2019). In lieu of the capital reserve, the Borrower has offered a GIC in the amount of \$500,000 held with the financial institution as security against this capital reserve amount.

As a result, this GIC is included in restricted cash as described in Note 3. Once the financial statements are provided to the financial institution, the Borrower will be able to use these funds to establish the capital reserve. The financial institution has agreed not to demand repayment of the mortgage as a result of this non-compliance.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2020

## 11. CAPITAL LEASE OBLIGATION

2020

2019

Capital lease payable in monthly payments of \$6,109 including interest at 3.85% during the first year and 4.85% thereafter. Secured by two vehicles with a net book value of \$288,382.

\$ 235,855 \$ 284,350

Minimum lease payments related to the obligation under capital lease is as follows:

|                        |                   |
|------------------------|-------------------|
| 2021                   | \$ 73,308         |
| 2022                   | 73,308            |
| 2023                   | 73,308            |
| 2024                   | <u>37,021</u>     |
|                        | \$ 256,945        |
| Less: imputed interest | <u>21,090</u>     |
| Balance of obligation  | \$ <u>235,855</u> |



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2020

12. TANGIBLE CAPITAL ASSETS

|                           | Cost                 |                     |                                     |                      | Accumulated Amortization |                     |                                     |                      | Net Book Value       |                      |
|---------------------------|----------------------|---------------------|-------------------------------------|----------------------|--------------------------|---------------------|-------------------------------------|----------------------|----------------------|----------------------|
|                           | Opening Balance      | Additions           | Disposals, Write-offs & Adjustments | Closing Balance      | Opening Balance          | Amortization        | Disposals, Write-offs & Adjustments | Closing Balance      | Total 2020           | Total 2019           |
| Land                      | \$ 1,548,337         | \$                  | \$                                  | \$ 1,548,337         | \$                       | \$                  | \$                                  | \$                   | \$ 1,548,337         | \$ 1,548,337         |
| Buildings                 | 32,218,044           |                     | 8,875                               | 32,209,169           | 10,950,223               | 1,586,335           |                                     | 12,536,558           | 19,672,611           | 21,267,821           |
| CMHC Housing              | 2,489,019            | 1,150,651           |                                     | 3,639,670            | 685,354                  | 91,896              |                                     | 777,250              | 2,862,420            | 1,803,665            |
| Computers                 | 347,521              | 7,434               | 15,770                              | 339,185              | 266,724                  | 46,825              | 15,770                              | 297,779              | 41,406               | 80,797               |
| Equipment                 | 6,440,225            | 853,983             | 25,200                              | 7,269,008            | 5,217,215                | 703,992             |                                     | 5,921,207            | 1,347,801            | 1,223,010            |
| Vehicles                  | 4,129,608            | 903,274             | 107,438                             | 4,925,444            | 1,481,359                | 1,098,240           | 73,025                              | 2,506,574            | 2,418,870            | 2,648,249            |
| Assets under construction | <u>1,133,170</u>     | <u>1,046,300</u>    | <u>1,133,170</u>                    | <u>1,046,300</u>     | <u>-</u>                 | <u>-</u>            | <u>-</u>                            | <u>-</u>             | <u>1,046,300</u>     | <u>1,133,170</u>     |
|                           | <u>\$ 48,305,924</u> | <u>\$ 3,961,642</u> | <u>\$ 1,290,453</u>                 | <u>\$ 50,977,113</u> | <u>\$ 18,600,875</u>     | <u>\$ 3,527,288</u> | <u>\$ 88,795</u>                    | <u>\$ 22,039,368</u> | <u>\$ 28,937,745</u> | <u>\$ 29,705,049</u> |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2020

## 13. ACCUMULATED SURPLUS

Accumulated surplus is comprised of the following:

|  | 2 0 2 0              | 2 0 1 9              |
|--|----------------------|----------------------|
| Ottawa Trust Funds                             | \$ 14,890            | \$ 14,654            |
| CMHC replacement reserve required amount       | 234,000              | 246,712              |
| CMHC operating surplus reserve required amount | 12,949               | 14,391               |
| Investments in Joint Ventures                  | 535,416              | 1,008,777            |
| Invested in tangible capital assets            | 23,251,182           | 25,434,407           |
| Unrestricted accumulated surplus               | <u>26,768,608</u>    | <u>24,538,564</u>    |
|  | <u>\$ 50,817,045</u> | <u>\$ 51,257,505</u> |

## 14. JOINT VENTURES

The Cree Nation has entered into the following joint venture arrangements:

- Fox Lake Venture Limited Partnership (51% ownership) entered into a joint venture arrangement with Sodexo Canada Ltd. (49% ownership) which is called Fox and Sodexo Keewatinoow Joint Venture. This was formed to provide food service, housekeeping, janitorial and security services to the Manitoba Hydro Keewatinoow Camp. The Cree Nation is entitled to 51% of gross profit, after a 2.5% commission on gross revenue is deducted.
- The Cree Nation (33.3% ownership) entered into a joint venture arrangement with Sodexo Canada (33.3% ownership) and York Factory First Nation (33.3% ownership) which is called FLCN/YFFN/Sodexo Joint Venture. This was formed to provide catering and security services to the Manitoba Hydro Keeyask Camp. The Cree Nation is entitled to 33% of gross profit, after a 1.5% commission on gross revenue is deducted.
- The Cree Nation (50% ownership) entered into a joint venture arrangement with Sodexo Canada (50% ownership) which is called FLCN/Sodexo Joint Venture. This was formed to provide catering, janitorial and housekeeping services to the Manitoba Hydro Kettle Camp. The Cree Nation is entitled to 50% of gross profit, after a 2% commission on gross revenue is deducted.
- Fox Lake Venture Limited Partnership (51% ownership) entered into a joint venture arrangement with Newton Mechanical/Electrical Inc. (49% ownership) which is called Fox Lake and Newton Mechanical Joint Venture. This was formed to provide mechanical services to Manitoba Hydro's Bipole II and Keewatinoow projects. The Cree Nation is entitled to 51% of gross profit, after a 2% commission on gross revenue is deducted.

These entities are accounted for using the modified equity method. Accounts receivable includes \$60,081 (2019 - \$429,222) related to these joint ventures at March 31, 2020.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**MARCH 31, 2020**
**15. RECONCILIATION OF INDIGENOUS SERVICES CANADA REVENUE**

|  |                                | 2 0 2 0                    | 2 0 1 9                    |
|--|--------------------------------|----------------------------|----------------------------|
| Per agreement:                                       | #1819-MB-000034                | 1,952,503                  | 1,547,299                  |
|  | #1516-MB-000073                | <u>1,718,552</u>           | <u>1,400,752</u>           |
| <b>TOTAL I.S.C. REVENUE PER FUNDING CONFIRMATION</b> |                                | <b>\$ <u>3,671,055</u></b> | <b>\$ <u>2,948,051</u></b> |
| Revenue as per Statement of Operation (Statement 2)  |                                |                            |                            |
|  | Indigenous Services Canada     | 1,952,503                  | 1,547,299                  |
|  | First Nations and Inuit Health | <u>1,718,552</u>           | <u>1,400,752</u>           |
| <b>TOTAL I.S.C. REVENUE PER FINANCIAL STATEMENTS</b> |                                | <b>\$ <u>3,671,055</u></b> | <b>\$ <u>2,948,051</u></b> |

**16. ECONOMIC DEPENDENCE**

Fox Lake Cree Nation receives a significant portion of its revenue from Indigenous Services Canada ("ISC") and First Nations and Inuit Health 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 Cree Nation to continue operations is dependent upon the Government of Canada's continued financial commitments as guaranteed by these Treaties.

**17. COMPLIANCE WITH LAWS AND REGULATIONS**
**The Manitoba Environmental Protection Act**

The Manitoba Environmental Protection Act sets out the regulatory requirements to properly close and maintain active and inactive landfill sites. Under this environmental law, there is a requirement for closure and post-closure care of solid waste sites including covering and landscaping, ongoing environmental monitoring, site inspection and maintenance. As directed by PS 3270, a liability must be recognized beginning when the landfill first accepts waste to the date the landfill stops accepting waste. The liability for closure and post-closure care is recognized as the site capacity is used to the extent of the proportion of site capacity used compared to the estimated total expenditure required for closure and post-closure care.

The estimated total expenditure represents the sum of discounted future cash flows associated with closure and post-closure care considering current technology, the length of the post-closure care period and current environmental regulations. Expenditures that relate to an existing condition caused by past operations, and which do not contribute to future asset service potential, are expensed in the current year.

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2020

## 18. BUDGET

The Fox Lake Cree Nation has not prepared a complete consolidated budget for the year ended March 31, 2020. Accordingly, budget figures are not presented in these consolidated financial statements.

## 19. COMPARATIVE FIGURES

Certain prior year comparative amounts have been reclassified where necessary to conform to the presentation adopted for the current year.

## 20. EXPENSES BY OBJECT

The following is a summary of expenses by object:

|                                | 2 0 2 0              | 2 0 1 9              |
|--------------------------------|----------------------|----------------------|
| Administration                 | \$ 63,989            | \$ 82,324            |
| Advertising                    | 12,563               | 11,523               |
| Amortization of capital assets | 3,527,288            | 3,025,835            |
| Bad debts                      | 947,498              | 94,157               |
| Bank and interest charges      | 213,948              | 166,881              |
| Community activities           | 478,692              | 439,483              |
| Contract services              | 662,342              |                      |
| Cost of sales                  | 208,624              | 97,987               |
| Equipment                      | 27,624               | 225,876              |
| Insurance                      | 297,189              | 356,978              |
| Interest on long term debt     | 34,402               | 28,838               |
| Loss on Investment             | 369                  | 11                   |
| MLC commission and fees        | 183,991              | 188,753              |
| Office expenses                | 109,539              | 178,159              |
| Other                          | 1,072,592            | 1,638,198            |
| Professional fees              | 1,408,093            | 753,499              |
| Program costs                  | 308,945              | 374,229              |
| Repairs and maintenance        | 532,337              | 907,720              |
| Rent                           | 1,577,814            | 6,550,278            |
| Salaries and benefits          | 7,009,702            | 7,507,474            |
| Social assistance              | 250,194              |                      |
| Student support                | 25,095               | 22,132               |
| Supplies                       | 579,649              | 749,065              |
| Telephone                      | 146,160              | 124,408              |
| Travel                         | 865,993              | 767,171              |
| Training                       | 360,018              | 335,559              |
| Tuition                        | 61,353               | 28,930               |
| Utilities                      | 379,630              | 282,876              |
|                                | <u>\$ 21,345,633</u> | <u>\$ 24,938,344</u> |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

21. SEGMENT DISCLOSURE

Fox Lake Cree Nation provides a range of services to its members. For management reporting purposes, operations and activities are reported by department. The presentation by segment is based on the same accounting policies as described in the summary of Significant Accounting Policies as described in Note 2. The segment results for the year are as follows:

|                            | Government and Administration |                        | Economic Development |                    | Social Services     |                     | Health               |                      | Public Works         |                      |
|----------------------------|-------------------------------|------------------------|----------------------|--------------------|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|
|                            | <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         |                               |                        |                      |                    |                     |                     |                      |                      |                      |                      |
| I.S.C.                     | \$ 612,363                    | \$ 724,433             | \$ 89,418            | \$ 58,396          | \$ 310,594          | \$ 251,025          | \$                   | \$                   | \$ 415,653           | \$ 494,719           |
| F.N.I.H.                   |                               |                        |                      |                    |                     |                     | 1,718,552            | 1,400,752            |                      |                      |
| C.M.H.C.                   |                               |                        |                      |                    |                     |                     |                      |                      |                      |                      |
| Deferred from prior year   |                               |                        |                      |                    |                     |                     | 899,430              | 316,983              | 151,136              |                      |
| Deferred to following year | ( 253,427)                    | -                      | -                    | -                  | -                   | -                   | ( 1,517,996)         | ( 899,430)           | ( 263,031)           | ( 151,136)           |
| Subtotal                   | 358,936                       | 724,433                | 89,418               | 58,396             | 310,594             | 251,025             | 1,099,986            | 818,305              | 303,758              | 343,583              |
| Other revenue              | <u>4,584,554</u>              | <u>860,146</u>         | -                    | -                  | ( 50,554)           | -                   | ( 24,420)            | -                    | <u>352,353</u>       | <u>686,840</u>       |
| Total revenue              | <u>4,943,490</u>              | <u>1,584,579</u>       | <u>89,418</u>        | <u>58,396</u>      | <u>260,040</u>      | <u>251,025</u>      | <u>1,075,566</u>     | <u>818,305</u>       | <u>656,111</u>       | <u>1,030,423</u>     |
| Expenses                   |                               |                        |                      |                    |                     |                     |                      |                      |                      |                      |
| Amortization               | 1,454,331                     | 1,412,701              |                      |                    |                     |                     | 42,673               | 15,459               |                      |                      |
| Debt servicing             |                               |                        |                      |                    |                     |                     |                      |                      |                      |                      |
| Other                      | 1,252,648                     | 855,542                | 9,770                | 63,266             | 281,070             | 240,007             | 579,385              | 546,790              | 787,916              | 789,023              |
| Salaries and benefits      | <u>1,157,930</u>              | <u>963,147</u>         | -                    | -                  | <u>69,724</u>       | <u>70,128</u>       | <u>558,054</u>       | <u>553,462</u>       | <u>593,190</u>       | <u>666,825</u>       |
| Total expenses             | <u>3,864,909</u>              | <u>3,231,390</u>       | <u>9,770</u>         | <u>63,266</u>      | <u>350,794</u>      | <u>310,135</u>      | <u>1,180,112</u>     | <u>1,115,711</u>     | <u>1,381,106</u>     | <u>1,455,848</u>     |
| Surplus (Deficit)          | <u>\$ 1,078,581</u>           | <u>\$ ( 1,646,811)</u> | <u>\$ 79,648</u>     | <u>\$ ( 4,870)</u> | <u>\$ ( 90,754)</u> | <u>\$ ( 59,110)</u> | <u>\$ ( 104,546)</u> | <u>\$ ( 297,406)</u> | <u>\$ ( 724,995)</u> | <u>\$ ( 425,425)</u> |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

21. SEGMENT DISCLOSURE (continued)

|                            | Implementation and Future<br>Development |                     | Operating Program    |                     | Education           |                     | Nikanhik Itapowin Trust |                 | Band Housing           |                        |
|----------------------------|--|---------------------|----------------------|---------------------|---------------------|---------------------|-------------------------|-----------------|------------------------|------------------------|
|                            | <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         |  |                     |                      |                     |                     |                     |                         |                 |                        |                        |
| I.S.C.                     | \$                                       | \$                  | \$                   | \$                  | \$                  | \$                  | \$                      | \$              | \$                     | \$                     |
| F.N.I.H.                   |  |                     |                      |                     |                     |                     |                         |                 |                        |                        |
| C.M.H.C.                   |  |                     |                      |                     |                     |                     |                         |                 |                        |                        |
| Deferred from prior year   | 39,057                                   |                     |                      |                     |                     |                     |                         |                 |                        |                        |
| Deferred to following year | ( 365,707)                               | ( 39,057)           | -                    | -                   | -                   | -                   | -                       | -               | ( 400,000)             | -                      |
| Subtotal                   | ( 326,650)                               | ( 39,057)           | -                    | -                   | 31,306              | 18,726              | -                       | -               | 93,169                 |                        |
| Other revenue              | <u>3,244,714</u>                         | <u>2,724,030</u>    | <u>220,626</u>       | <u>5,420,670</u>    | <u>( 63,072)</u>    | <u>-</u>            | <u>1,048,788</u>        | <u>192,969</u>  | <u>657,306</u>         | <u>584,425</u>         |
| Total revenue              | <u>2,918,064</u>                         | <u>2,684,973</u>    | <u>220,626</u>       | <u>5,420,670</u>    | <u>(31,766)</u>     | <u>18,726</u>       | <u>1,048,788</u>        | <u>192,969</u>  | <u>750,475</u>         | <u>584,425</u>         |
| Expenses                   |  |                     |                      |                     |                     |                     |                         |                 |                        |                        |
| Amortization               | 16,439                                   | 23,886              |                      |                     |                     |                     | 579                     | 1,113           | 949,303                | 1,002,414              |
| Debt servicing             | 52,206                                   | 63,898              |                      |                     |                     |                     |                         |                 |                        |                        |
| Other                      | 1,354,190                                | 1,100,289           | 328,842              | 144,351             | 24,008              | 20,521              | 871,263                 | 176,852         | 1,096,741              | 493,527                |
| Salaries and benefits      | <u>1,682,231</u>                         | <u>1,556,392</u>    | <u>159,406</u>       | <u>176,949</u>      | <u>32,643</u>       | <u>19,261</u>       | <u>12,757</u>           | <u>13,106</u>   | <u>290,721</u>         | <u>260,455</u>         |
| Total expenses             | <u>3,105,066</u>                         | <u>2,744,465</u>    | <u>488,248</u>       | <u>321,300</u>      | <u>56,651</u>       | <u>39,782</u>       | <u>884,599</u>          | <u>191,071</u>  | <u>2,336,765</u>       | <u>1,756,396</u>       |
| Surplus (Deficit)          | <u>\$ ( 187,002)</u>                     | <u>\$ ( 59,492)</u> | <u>\$ ( 267,622)</u> | <u>\$ 5,099,370</u> | <u>\$ ( 88,417)</u> | <u>\$ ( 21,056)</u> | <u>\$ 164,189</u>       | <u>\$ 1,898</u> | <u>\$ ( 1,586,290)</u> | <u>\$ ( 1,171,971)</u> |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

21. SEGMENT DISCLOSURE *(continued)*

|                            | CMHC Housing |             | Capital and Capital Project |             | First Nation Programs |              | Gaming Center and Smoke Shop |             | 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> | <u>2020</u>   | <u>2019</u>  |
| Revenues                   |              |             |                             |             |                       |              |                              |             |               |              |
| Federal Government         |              |             |                             |             |                       |              |                              |             |               |              |
| I.S.C.                     | \$           | \$          | \$                          | \$          | \$                    | \$           | \$                           | \$          | \$ 1,952,503  | \$ 1,547,299 |
| F.N.I.H.                   |              |             |                             |             |                       |              |                              |             | 1,718,552     | 1,400,752    |
| C.M.H.C.                   | 126,495      | 93,069      |                             |             |                       |              |                              |             | 126,495       | 93,069       |
| Deferred from prior year   |              |             |                             |             |                       |              |                              |             | 1,089,623     | 316,983      |
| Deferred to following year | -            | -           | -                           | -           | -                     | -            | -                            | -           | ( 2,800,161)  | ( 1,089,623) |
| Subtotal                   | 126,495      | 93,069      | -                           | -           |                       |              | -                            | -           | 2,087,012     | 2,268,480    |
| Other revenue              | 45,275       | 71,172      | -                           | -           | 7,424,663             | 13,758,673   | 1,377,928                    | 1,478,180   | 18,818,161    | 25,777,105   |
| Total revenue              | 171,770      | 164,241     | -                           | -           | 7,424,663             | 13,758,673   | 1,377,928                    | 1,478,180   | 20,905,173    | 28,045,585   |
| Expenses                   |              |             |                             |             |                       |              |                              |             |               |              |
| Amortization               | 91,896       | 71,340      |                             |             | 886,058               | 399,004      | 86,009                       | 99,918      | 3,527,288     | 3,025,835    |
| Debt servicing             | 34,402       | 28,838      |                             |             | 85,065                | 47,040       |                              |             | 171,673       | 139,776      |
| Other                      | 23,608       | 35,164      |                             | 7,988       | 3,449,721             | 9,206,390    | 577,808                      | 585,549     | 10,636,970    | 14,265,259   |
| Salaries and benefits      | -            | -           | -                           | -           | 2,139,558             | 2,917,432    | 313,488                      | 310,317     | 7,009,702     | 7,507,474    |
| Total expenses             | 149,906      | 135,342     | -                           | 7,988       | 6,560,402             | 12,569,866   | 977,305                      | 995,784     | 21,345,633    | 24,938,344   |
| Surplus (Deficit)          | \$ 21,864    | \$ 28,899   | \$ -                        | \$ ( 7,988) | \$ 864,261            | \$ 1,188,807 | \$ 400,623                   | \$ 482,396  | \$ ( 440,460) | \$ 3,107,241 |