
FOX LAKE CREE NATION

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

FOX LAKE CREE NATION

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

INDEPENDENT AUDITOR'S REPORT

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

CONSOLIDATED STATEMENT OF OPERATIONS.....STATEMENT 2

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETSSTATEMENT 3

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of 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.



Chief



Councillor

Councillor

Councillor

Councillor

Councillor

INDEPENDENT AUDITOR'S REPORT

To the Chief, Council and Membership
Fox Lake Cree Nation

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, 2023, 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, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Fox Lake Cree Nation as at March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of 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 opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing 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.

(continued.....)

Auditor's 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.
- 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
July 22, 2024

FOX LAKE CREE NATION

STATEMENT 1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MARCH 31

	2023	2022
FINANCIAL ASSETS		
Cash	\$ 10,511,954	\$ 16,143,348
Restricted cash (Note 4)	887,737	859,988
Accounts receivable (Note 5)	1,731,052	2,381,784
Inventory (Note 6)	81,927	49,460
Investments (Note 7)	95,717,194	83,913,948
Investment in joint ventures (Note 8)	(89,292)	171,378
	<u>108,840,572</u>	<u>103,519,906</u>

LIABILITIES		
Notes payable and bank debt		13,215
Accounts payable and accrued liabilities (Note 9)	2,597,900	2,308,500
Deferred revenue (Note 10)	5,974,223	4,416,152
Long term debt (Note 11)	84,400,594	78,663,816
Capital lease obligation (Note 12)	<u>36,499</u>	<u>106,192</u>
Total liabilities	<u>93,009,216</u>	<u>85,507,875</u>
Net assets	<u>15,831,356</u>	<u>18,012,031</u>

NON-FINANCIAL ASSETS		
Tangible capital assets (Note 13)	25,755,816	25,343,810
Prepaid expenses and other current assets	<u>19,329</u>	<u>16,159</u>
Total non-financial assets	<u>25,775,145</u>	<u>25,359,969</u>
Accumulated surplus (Note 14)	<u>\$ 41,606,501</u>	<u>\$ 43,372,000</u>
Contingent liabilities (Note 15)		

Approved on behalf of Council

Michael Connerschok

Chief

Michael Connerschok

Councillor

Councillor

Councillor

Councillor

Councillor

Councillor

Councillor

FOX LAKE CREE NATION

STATEMENT 2

CONSOLIDATED STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31

	2023	2022
REVENUE		
Indigenous Services Canada	\$ 6,943,325	\$ 3,489,716
First Nations and Inuit Health	2,315,732	2,610,446
Canada Mortgage and Housing Corporation	139,418	259,276
Province of Manitoba	223,394	295,457
Manitoba Hydro	3,704,620	3,129,980
Administration fees	216,577	246,147
Construction income	79,009	39,435
Contributions	383,214	623,500
Gaming revenue	674,366	621,648
Income from long term investments	15,078	1,027,742
Investment income	2,258,298	1,052,681
Other revenue	2,583,305	2,336,170
Rental income	670,949	683,644
Sales	2,141,600	2,068,417
Tribal Council contribution	239,572	345,147
User fees	743,762	1,467,568
Deferred revenue from prior year	4,416,152	5,341,907
Deferred revenue to following year	(5,974,223)	(4,416,152)
	<u>21,774,148</u>	<u>21,222,729</u>
EXPENDITURES		
Governance and administration	3,289,338	2,616,838
Economic development	178,433	61,332
Social services	983,892	339,834
Health	3,127,992	2,999,028
Public works	2,159,341	1,767,223
Implementation and future development	3,733,559	3,478,152
Operating program	623,073	729,600
Education	35,662	12,015
Nikanihk Itapowin Trust	799,259	610,033
Band housing	1,224,617	1,492,616
CMHC housing	324,506	279,420
First Nation programs	5,464,119	9,407,219
Gaming centre and smoke shop	<u>1,595,856</u>	<u>1,457,163</u>
	<u>23,539,647</u>	<u>25,250,473</u>
ANNUAL DEFICIT	(1,765,499)	(4,027,744)
ACCUMULATED SURPLUS, <i>beginning of year</i>	<u>43,372,000</u>	<u>47,399,744</u>
ACCUMULATED SURPLUS, <i>end of year</i>	<u>\$ 41,606,501</u>	<u>\$ 43,372,000</u>

FOX LAKE CREE NATION

STATEMENT 3

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED MARCH 31

	2 0 2 3	2 0 2 2
Annual deficit	<u>\$ (1,765,499)</u>	<u>\$ (4,027,744)</u>
Acquisition of tangible capital assets	(3,159,212)	(1,267,858)
Amortization of tangible capital assets	2,595,176	2,230,240
Disposal of tangible capital assets	<u>152,030</u>	<u>(29,617)</u>
	<u>(412,006)</u>	<u>932,765</u>
Acquisition of prepaid expenses	(19,329)	(16,159)
Consumption of prepaid expenses	<u>16,159</u>	<u>29,034</u>
	<u>(3,170)</u>	<u>12,875</u>
CHANGE IN NET ASSETS FOR YEAR	(2,180,675)	(3,082,104)
NET ASSETS, <i>beginning of year</i>	<u>18,012,031</u>	<u>21,094,135</u>
NET ASSETS, <i>end of year</i>	<u>\$ 15,831,356</u>	<u>\$ 18,012,031</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31

	2 0 2 3	2 0 2 2
CASH FLOW FROM		
<i>OPERATING ACTIVITIES</i>		
Cash received from funding and other sources	\$ 23,982,951	\$ 20,162,957
Cash paid to suppliers and employees	(20,690,708)	(18,908,102)
	<u>3,292,243</u>	<u>1,254,855</u>
<i>CAPITAL ACTIVITIES</i>		
Acquisition of tangible capital assets and construction in progress	(3,159,212)	(1,267,858)
Sale of tangible capital assets	<u>152,030</u>	<u>(29,617)</u>
	<u>(3,007,182)</u>	<u>(1,297,475)</u>
<i>INVESTING ACTIVITIES</i>		
Acquisition of investments	(5,700,000)	
Change in investments	(6,103,246)	(1,340,470)
Change in investments in joint ventures	260,670	260,178
Change in restricted cash	(27,749)	(25,499)
	<u>(11,570,325)</u>	<u>(1,105,791)</u>
<i>FINANCING ACTIVITIES</i>		
Proceeds from long-term debt	6,366,616	146,372
Repayment of long-term debt	(629,838)	(463,828)
Repayment of capital lease obligation	(69,693)	(66,400)
	<u>5,667,085</u>	<u>(383,856)</u>
NET DECREASE IN CASH DURING YEAR	(5,618,179)	(1,532,267)
CASH, <i>beginning of year</i>	<u>16,130,133</u>	<u>17,662,400</u>
CASH, <i>end of year</i>	<u>\$ 10,511,954</u>	<u>\$ 16,130,133</u>
CASH COMPRISED OF		
Cash	\$ 10,511,954	\$ 16,143,348
Notes payable and bank debt	<u>-</u>	<u>(13,215)</u>
	<u>\$ 10,511,954</u>	<u>\$ 16,130,133</u>

FOX LAKE CREE NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

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. |
| • Fox Lake Hospitality Ltd. | • Fox Lake Hospitality LLP |
| | • Fox Lake Band Housing |

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, 2023

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. 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, 2023.

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, 2023

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, 2023

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 collectibility 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*Measurement

The First Nation measures all of its financial assets and financial liabilities at cost or amortized cost, except for the following, which are measured at fair value without any adjustment for transaction costs: derivatives, marketable securities in equity instruments that are quoted in an active market and marketable securities that the Nation has elected to measure at fair value. The effective interest rate method is used to determine interest revenue or expenses for financial instruments measured at amortized cost.

Financial assets measured at amortized cost include cash, accounts receivable and federal trust funds. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and long-term debt.

No financial assets are measured at fair value.

Transaction costs

Transaction costs attributable to financial instruments measured at fair value are recognized in the Statement of Operations in the period incurred. Transaction costs for financial instruments measured at cost or amortized cost are recognized in the original cost of the instrument.

Impairment

At the end of each reporting period, management assesses financial assets or groups of financial assets for evidence of objective impairment. An impairment loss is recognized in the Statement of Operations when there is a loss in value that is other than temporary. Future recoveries of impaired financial assets are recognized in the Statement of Operations when received.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)**USE OF ESTIMATES*

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of financial statements and the reported amounts of certain 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.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary.

Amortization is based on the estimated useful lives of tangible capital assets.

Capitalization of labour costs is based on an estimate of the proportionate share of direct labour and overhead labour.

Asset retirement obligations are estimated based on the present value of the required cost at retirement of specific 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, 2023.

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:

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

Fox Lake Hospitality. - activities include the development and operation of a gas bar, convenience store and restaurant on reserve and ancillary or incidental thereto.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

3. CHANGE IN ACCOUNTING POLICY

ASSET RETIREMENT OBLIGATIONS

On April 1, 2022, the First Nation adopted the PSAS Section (PS 3280) "Asset Retirement Obligations". The new standard includes the requirement for the recognition, measurement, presentation and disclosure of asset retirement obligations and is effective for year beginning on or after April 1, 2022. There was no significant impact on these consolidated financial statements as a result of the adoption of this standard as no legal or constructive obligations were identified.

4. 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, 2023, \$312,291 (2022 - \$259,881) had been deposited, leaving a fully funded balance in 2023 (2022 - fully funded).

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, 2023, the reserve has been funded in a separate interest bearing account, with a balance of \$36,752. 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 (2022 - \$1,635); interest revenue nil (2022 - nil)
Revenue Trust	\$13,718 (2022 - \$13,718); interest revenue nil (2022 - nil)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

4. RESTRICTED CASH *(continued)*

	2 0 2 3	2 0 2 2
GIC - Matures October 31, 2023 with interest 2.50% per annum	\$ 529,103	\$ 524,904
CMHC Replacement Reserve	312,291	259,882
Cash	30,990	59,849
Ottawa Trust Fund	<u>15,353</u>	<u>15,353</u>
	<u>\$ 887,737</u>	<u>\$ 859,988</u>

5. ACCOUNTS RECEIVABLE

	2 0 2 3	2 0 2 2
Manitoba Hydro	\$ 444,671	\$ 581,451
Indigenous Services Canada		32,951
Employee, member advances and rents receivable	141,030	131,318
Canada Mortgage and Housing Corporation	11,726	131,608
Other accounts receivable	1,540,941	1,862,566
GST receivable	<u>342,334</u>	<u>271,312</u>
Subtotal	2,480,702	3,011,206
Less: Allowance for doubtful accounts	<u>(749,650)</u>	<u>(629,422)</u>
	<u>\$ 1,731,052</u>	<u>\$ 2,381,784</u>

6. INVENTORY

	2 0 2 3	2 0 2 2
Smoke Shop inventory	\$ 55,255	\$ 49,460
Fox Lake Hospitality inventory	<u>26,672</u>	<u>-</u>
	<u>\$ 81,927</u>	<u>\$ 49,460</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

7. INVESTMENTS

	2023	2022
Keeyask Hydro Power Limited Partnership - 5%		
Cost	\$ 62,480,834	\$ 61,868,626
Deferred interest charges	15,868,803	11,913,626
Share of earnings (loss)	(2,201,191)	(3,830,343)
	<u>76,148,446</u>	<u>69,951,909</u>
Guaranteed Investment Certificates		
Matures February 23, 2024, interest bearing at 4.70%	\$ 5,000,000	\$
Matures March 1, 2024, interest bearing at 0.20%	700,000	
Matures April 11, 2023, interest bearing at 0.20%	117,166	116,935
Matures September 22, 2023, interest bearing at 0.50%	<u>180,699</u>	<u>180,000</u>
	<u>5,997,865</u>	<u>296,935</u>
Mutual Fund Investments, cost		
Sun Life Financial	\$ 176,946	\$ 185,531
Assante Wealth Management Managed Assets	<u>13,393,937</u>	<u>13,479,573</u>
	<u>13,570,883</u>	<u>13,665,104</u>
	<u>\$ 95,717,194</u>	<u>\$ 83,913,948</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 \$76,681,717 (March 31, 2022 - \$69,951,909). Deferred interest charges of \$15,868,803 as at March 31, 2023 (March 31, 2022 - \$11,913,626) 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, 2023 as reported by Sun Life Financial is \$176,946 (2022 - \$185,531).

The market value of the investment at March 31, 2023 as reported by Assante Wealth Management is \$13,393,937 (2022 - \$13,479,567).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

8. INVESTMENTS IN JOINT VENTURES

	2 0 2 3	2 0 2 2
Fox and York Keeyask Joint Venture (FYKJV) - 50% Equity Method		
Investment cost	\$ 1	\$ 1
Cumulative share of loss	(80,709)	(80,709)
Advances	113,504	413,504
Impairment	(122,088)	(161,418)
	<u>\$ (89,292)</u>	<u>\$ 171,378</u>

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

	2 0 2 3	2 0 2 2
Cash	\$ 7,724	\$ 271,632
Account receivable		58,495
Property and equipment	<u>1,740</u>	<u>2,176</u>
Total assets	<u>\$ 9,464</u>	<u>\$ 332,303</u>
Account payable and accruals	\$ 18,047	\$ 80,216
Due to Fox Lake Venture Limited Partnership	<u>113,505</u>	<u>413,505</u>
Total liabilities	<u>131,552</u>	<u>493,721</u>
Joint Venture Capital	<u>\$ (122,088)</u>	<u>\$ (161,418)</u>
Revenue	\$ 186,836	\$ 335,218
Expenditures	<u>147,506</u>	<u>358,206</u>
Net income (loss)	<u>\$ 39,330</u>	<u>\$ (22,988)</u>

Fox Lake York Keeyask Joint Venture (FYKJV)

Fox Lake Cree Nation and York Factory Nation agreed 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.

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. Subsequent to year end the joint venture has been completed and closed its operations.
- 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

8. INVESTMENTS IN JOINT VENTURES *(continued)*

- 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.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2 0 2 3	2 0 2 2
Trade payables and accruals	\$ 2,198,115	\$ 1,817,338
Wages and benefits payable	6,479	26,724
Taxes payable	265,963	337,095
Indigenous Services Canada	127,122	127,122
First Nations and Inuit Health	<u>221</u>	<u>221</u>
	<u>\$ 2,597,900</u>	<u>\$ 2,308,500</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

10. DEFERRED REVENUE

	2023	2022
Indigenous Services Canada		
Capacity Building - Innovation	\$	\$ 70,000
Emergency Management		31,000
Housing Program		77,568
COVID-19 Lands and Economic Development Services Program		49,568
COVID-19 Indigenous Community Support Fund - Direct EMAP	96,351	155,293
Human Resource Management Governance		10,525
First Nation Representative Service	61,411	
Contributions - Equipment	14,090	
Asset Management Plan	21,929	
Planning, Design, and Construction	49,897	
Community Opportunities Readiness Program	10,944	
Child Family Services Prevention	227,027	
Wastewater Lagoon - O&M	8,347	17,531
Major Renovation - ILEP	44,252	501,643
Community Building - Garage Restoration - O&M	10,784	93,146
Planning and Design - ISC Immediate Needs Housing	617,900	909,076
Infrastructure Construction Transfer Station - O&M	128,641	
Housing 5-Unit Construction	1,580,000	
Cultural Spaces First Nation - Resource Centre	1,672,800	
Special Needs	7,604	
Community Well-Being and Jurisdiction Initiatives Program		79,048
Recognition of Indigenous Rights and Self Determination	11,374	135,609
Inherent Rights and Consultation	<u>113,646</u>	<u>113,646</u>
	<u>4,676,997</u>	<u>2,243,653</u>
First Nation Inuit Health		
Jordan's Principle	1,111,986	1,729,741
COVID-19 Support	-	3,957
	<u>1,111,986</u>	<u>1,733,698</u>
Other programs		
Assembly of Manitoba Chiefs Early Child Care - Daycare	146,561	236,336
Climate Change Adaptation & Awareness		78,155
Specific Land Claim - TLE		65,110
Mineral Development	<u>38,679</u>	<u>59,200</u>
	<u>185,240</u>	<u>438,801</u>
	<u>\$ 5,974,223</u>	<u>\$ 4,416,152</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

11. LONG-TERM DEBT

	2023	2022
Phase 2: CMHC mortgage repayable in monthly payments of \$1,516 including interest at 5.02%, maturity date of October 1, 2027 with a renewal date of August 1, 2023, secured by a Ministerial guarantee and assignment of fire insurance for a four-unit rental housing project.	\$ 74,415	\$ 89,530
Phase 3: CMHC mortgage repayable in monthly payments of \$909 including interest at 1.22%, maturity date of June 1, 2028 with a renewal date of May 1, 2026, secured by a Ministerial guarantee and assignment of fire insurance for a two-unit rental housing project.	55,484	65,656
Phase 5: CMHC mortgage repayable in monthly payments of \$1,813 including interest at 3.81%, maturity date of March 1, 2033 with a renewal date of March 1, 2028, secured by a Ministerial guarantee and assignment of fire insurance for a six-unit rental housing project.	181,008	196,853
Phase 6: CMHC mortgage repayable in monthly payments of \$3,805 including interest at 0.96%, maturity date of November 1, 2029 with a renewal date of March 1, 2026, secured by a Ministerial guarantee and assignment of fire insurance for a five-unit rental housing project.	703,131	741,854
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.	691,223	727,342
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 6.48% (2.42% at March 31, 2022), 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 \$15,868,803 (2022 - \$11,913,626).	77,899,636	73,372,793
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.	8,465	22,583
Loan payable in monthly payments of \$710 including interest at 3.49% per annum, maturity date of October 2023. Secured by vehicle with a net book value of \$37,513.	4,919	13,112
Mortgage repayable in monthly payments of \$6,146 including interest at 4.50% per annum, maturity date of September 2023. Secured by land and building with a net book value of \$1,101,068. (*)	833,060	869,070

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

11. LONG TERM DEBT *(continued)*

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.	12,785	37,131
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.	64,087	168,378
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.	49,734	130,591
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.	8,791	23,453
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.	8,795	23,453
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.	8,598	22,936
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 \$109,770.	42,922	74,365
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.		5,083
Loan to First Peoples Economic Growth Fund Inc which is repayable upon demand. Until demand is made, the loan is payable in monthly payments of \$2,500 until the entire \$300,000 is paid in full.	274,120	255,000
Manitoba Hydro - Keeyask/Conawapa/SCHIP/HGD Claims (see description)	619,780	588,305
Manitoba Hydro - Rental Advance (see description)	100,000	100,000
Manitoba Hydro - Training Plan (2002) (see description)	1,084,919	1,016,794
Loan payable in monthly payments of \$876 including interest at 1.99% per annum, maturity date of November 2027. Secured by vehicle with a net book value of nil.		46,815
Loan payable in monthly payments of \$1,420 including interest at 5.82% per annum, maturity date of February 2027. Secured by vehicle with a net book value of \$56,269.	59,563	72,719
Loan payable in monthly payments of \$1,021 including interest at 1.99% per annum, maturity date of May 2027. Secured by vehicle with a net book value of \$53,015.	48,029	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

11. LONG TERM DEBT (continued)

Loan payable in monthly payments of \$1,187 including interest at 8.34% per annum, maturity date of September 2025. Secured by vehicle with a net book value of \$58,169.	31,096	
Loan payable in monthly payments of \$1,420 including interest at 5.82% per annum, maturity date of February 2027. Secured by vehicle with a net book value of \$64,731.	40,614	
Loan payable in monthly payments of \$1,826 including interest at 17.45% per annum, maturity date of December 2025. Secured by vehicle with a net book value of \$40,722.	46,463	
Loan payable in monthly payments of \$956 including interest at 7.75% per annum, maturity date of February 2026. Secured by vehicle with a net book value of \$50,916.	29,122	
Loan payable in monthly payments of \$1,729 including interest at 8.49% per annum, maturity date of February 2026. Secured by vehicle with a net book value of \$64,633.	52,099	
Loan payable in monthly payments of \$10,995 including interest at 4.74% per annum, maturity date of December 2026. Secured by vehicle with a net book value of \$431,910.	452,493	
Loan payable in monthly payments of \$8,208 including interest at 4.74% per annum, maturity date of December 2026. Secured by vehicle with a net book value of \$322,452.	337,819	
Loan payable in monthly payments of \$3,420 including interest at 7.70% per annum, maturity date of December 2026. Secured by vehicle with a net book value of \$126,810.	133,304	
Loan payable in monthly payments of \$2,736 including interest at 4.99% per annum, maturity date of December 2026. Secured by vehicle with a net book value of \$106,984.	112,115	
Loan payable in monthly payments of \$8,057 including interest at 5.74% per annum, maturity date of December 2026. Secured by vehicle with a net book value of \$310,367.	<u>332,005</u>	<u>-</u>
	<u>\$ 84,400,594</u>	<u>\$ 78,663,816</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, 2024	\$	876,319
2025		715,598
2026		710,660
2027		587,824
2028		256,671

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

11. 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 offset 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 10-year period with the 10-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, 2023 was 6.70% (2022 - 2.70%).

(*) 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 \$26,924 as at March 31, 2023; \$95,637 in 2022). 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

11. LONG TERM DEBT *(continued)*

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.

12. CAPITAL LEASE OBLIGATION

2023

2022

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.

\$ 36,499 \$ 106,192

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

13. 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 2023	Total 2022
Land	\$ 1,639,742	\$	\$	\$ 1,639,742	\$	\$	\$	\$	\$ 1,639,742	\$ 1,639,742
Buildings	32,589,653			32,589,653	15,694,400	1,522,060		17,216,460	15,373,193	16,895,253
CMHC Housing	3,639,670			3,639,670	897,970	142,539		1,040,509	2,599,161	2,741,700
Computers	347,482	5,614		353,096	343,666	3,909		347,575	5,521	3,816
Equipment	7,342,409	506,324		7,848,733	6,356,368	199,158		6,555,526	1,293,207	986,041
Vehicles	5,139,417	2,176,398	265,391	7,050,424	3,630,465	727,510	113,361	4,244,614	2,805,810	1,508,952
Assets under construction	1,568,306	470,876	-	2,039,182	-	-	-	-	2,039,182	1,568,306
	<u>\$ 52,266,679</u>	<u>\$ 3,159,212</u>	<u>\$ 265,391</u>	<u>\$ 55,160,500</u>	<u>\$ 26,922,869</u>	<u>\$ 2,595,176</u>	<u>\$ 113,361</u>	<u>\$ 29,404,684</u>	<u>\$ 25,755,816</u>	<u>\$ 25,343,810</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

14. ACCUMULATED SURPLUS

Accumulated surplus is comprised of the following:

	2 0 2 3	2 0 2 2
Ottawa Trust Funds	\$ 15,353	\$ 15,353
CMHC replacement reserve required amount		83,188
CMHC operating surplus reserve required amount	36,752	14,531
Investments in joint ventures	(89,292)	171,378
Investment in tangible capital assets	19,218,359	19,946,595
Unrestricted accumulated surplus	<u>22,425,329</u>	<u>23,140,955</u>
	<u>\$ 41,606,501</u>	<u>\$ 43,372,000</u>

15. CONTINGENT LIABILITIES

The First Nation receives funding from various government agencies based on specified program needs and budgets and allocates certain expenses to the various programs. In many cases the funding agent has the right to review the accounting records to ensure compliance with the terms and conditions of their agreements. At this time no estimate of the requirements, if any, to reimburse the agencies can be made. For accounting purposes any amounts assessed or claims paid will be accounted for in the year of determination

16. RECONCILIATION OF INDIGENOUS SERVICES CANADA REVENUE

	2 0 2 3	2 0 2 2
Per agreement:		
#1819-MB-000034	\$ 6,943,325	\$ 3,489,716
#1516-MB-000073	<u>2,315,732</u>	<u>2,610,446</u>
TOTAL I.S.C. REVENUE PER FUNDING CONFIRMATION	<u>\$ 9,259,057</u>	<u>\$ 6,100,162</u>
Revenue as per Statement of Operations (Statement 2)		
Indigenous Services Canada	\$ 6,943,325	\$ 3,489,716
First Nations and Inuit Health	<u>2,315,732</u>	<u>2,610,446</u>
TOTAL I.S.C. REVENUE PER FINANCIAL STATEMENTS	<u>\$ 9,259,057</u>	<u>\$ 6,100,162</u>

17. 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

18. 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, 2023

19. EXPENSES BY OBJECT

The following is a summary of expenses by object:

	2 0 2 3	2 0 2 2
Administration	\$ 252,408	\$ 290,176
Advertising	9,837	50,754
Amortization of capital assets	2,595,176	2,230,240
Bad debts	110,620	29,304
Bank and interest charges	278,748	171,537
Community activities	484,243	895,387
Contract services	125,346	77,203
Cost of sales	1,631,034	1,518,628
Equipment	190,914	16,222
Donations	255,253	
Insurance	275,806	291,272
Interest on long-term debt	29,387	29,957
Loss on Investments	483,874	3,866,720
MLC commission and fees	161,439	117,665
Office expenses	212,411	240,689
Other	1,630,766	849,929
Professional fees	1,175,291	1,245,332
Program costs	1,464,684	1,903,487
Repairs and maintenance	1,739,675	1,552,529
Rent	424,456	1,009,550
Salaries and benefits	6,912,038	6,218,596
Social assistance	298,571	184,212
Student support	52,708	7,373
Supplies	554,939	677,413
Telephone	160,858	147,161
Travel	1,045,322	627,663
Training	307,783	298,585
Tuition	310,651	278,544
Utilities	<u>365,409</u>	<u>424,345</u>
	<u>\$ 23,539,647</u>	<u>\$ 25,250,473</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**MARCH 31, 2023**

20. FINANCIAL INSTRUMENTS

The First Nation, as part of its operations, carries a number of financial instruments. It is management's opinion that the First Nation is not exposed to significant liquidity, interest, foreign currency, equity price or credit risks arising from these financial instruments, except as otherwise disclosed.

21. BUDGET

Section 1201, Financial Statement Presentation, of the CPA Canada Public Sector Accounting Board Handbook requires the disclosure of budgeted information. The First Nation has not prepared or approved consolidated budgets. As a result, the First Nation was unable to present budgeted information on the consolidated financial statements for the year ended March 31, 2023.

22. COMPARATIVE FIGURES

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

23. 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>2 0 2 3</u>	<u>2 0 2 2</u>	<u>2 0 2 3</u>	<u>2 0 2 2</u>	<u>2 0 2 3</u>	<u>2 0 2 2</u>	<u>2 0 2 3</u>	<u>2 0 2 2</u>	<u>2 0 2 3</u>	<u>2 0 2 2</u>
Revenues										
Federal Government										
I.S.C.	\$ 1,019,581	\$ 737,392	\$ 481,266	\$ 69,516	\$ 528,079	\$ 503,442	\$	\$	\$ 4,741,261	\$ 1,672,783
F.N.I.H.							2,315,732	2,610,446		
C.M.H.C.										
Deferred from prior year	393,954	263,696			79,048	7,604	1,733,698	2,257,424	1,521,397	1,838,947
Deferred to following year	(243,679)	(393,954)	(237,970)	-	(7,604)	(79,048)	(1,111,986)	(1,733,698)	(4,062,724)	(1,521,397)
Subtotal	1,169,856	607,134	243,296	69,516	599,523	431,998	2,937,444	3,134,172	2,199,934	1,990,333
Other revenue	<u>1,986,739</u>	<u>2,070,142</u>	<u>1,250</u>	<u>-</u>	<u>14</u>	<u>325,000</u>	<u>218,331</u>	<u>5,811</u>	<u>339,147</u>	<u>155,252</u>
Total revenue	<u>3,156,595</u>	<u>2,677,276</u>	<u>244,546</u>	<u>69,516</u>	<u>599,537</u>	<u>756,998</u>	<u>3,155,775</u>	<u>3,139,983</u>	<u>2,539,081</u>	<u>2,145,585</u>
Expenses										
Amortization	655,211	272,010					145,743	99,799		
Debt servicing					1,249					
Other	1,830,089	1,607,932	157,192	58,217	879,543	305,264	1,920,349	2,088,549	1,672,315	1,378,498
Salaries and benefits	<u>804,038</u>	<u>736,896</u>	<u>21,241</u>	<u>3,115</u>	<u>103,100</u>	<u>34,570</u>	<u>1,061,900</u>	<u>810,680</u>	<u>487,026</u>	<u>388,725</u>
Total expenses	<u>3,289,338</u>	<u>2,616,838</u>	<u>178,433</u>	<u>61,332</u>	<u>983,892</u>	<u>339,834</u>	<u>3,127,992</u>	<u>2,999,028</u>	<u>2,159,341</u>	<u>1,767,223</u>
Surplus (Deficit)	<u>\$ (132,743)</u>	<u>\$ 60,438</u>	<u>\$ 66,113</u>	<u>\$ 8,184</u>	<u>\$ (384,355)</u>	<u>\$ 417,164</u>	<u>\$ 27,783</u>	<u>\$ 140,955</u>	<u>\$ 379,740</u>	<u>\$ 378,362</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

23. SEGMENT DISCLOSURE (continued)

	Implementation and Future Development		Operating Program		Education		Nikanhik Itapowin Trust		Band Housing	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Revenues										
Federal Government										
I.S.C.	\$ 146,735	\$ 416,857	\$	\$	\$ 26,403	\$ 89,726	\$	\$	\$	\$
F.N.I.H.										
C.M.H.C.										
Deferred from prior year	451,720	705,841	236,335	268,395						
Deferred to following year	(163,699)	(451,720)	(146,561)	(236,335)	-	-	-	-	-	-
Subtotal	434,756	670,978	89,774	32,060	26,403	89,726	-	-	-	-
Other revenue	3,582,171	3,199,457	433,053	632,560	-	-	301,310	1,505,085	170,509	253,163
Total revenue	4,016,927	3,870,435	522,827	664,620	26,403	89,726	301,310	1,505,085	170,509	253,163
Expenses										
Amortization	2,479	607					1,482	371	894,656	894,656
Debt servicing										
Other	2,224,082	1,820,343	420,504	431,097	29,893	5,064	748,294	593,118	119,795	382,136
Salaries and benefits	1,506,998	1,657,202	202,569	298,503	5,769	6,951	49,483	16,544	210,166	215,824
Total expenses	3,733,559	3,478,152	623,073	729,600	35,662	12,015	799,259	610,033	1,224,617	1,492,616
Surplus (Deficit)	\$ 283,368	\$ 392,283	\$ (100,246)	\$ (64,980)	\$ (9,259)	\$ 77,711	\$ (497,949)	\$ 895,052	\$ (1,054,108)	\$ (1,239,453)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

23. SEGMENT DISCLOSURE (continued)

	CMHC Housing		First Nation Programs		Gaming Center and Smoke Shop		TOTAL	
	<u>2 0 2 3</u>	<u>2 0 2 2</u>	<u>2 0 2 3</u>	<u>2 0 2 2</u>	<u>2 0 2 3</u>	<u>2 0 2 2</u>	<u>2 0 2 3</u>	<u>2 0 2 2</u>
Revenues								
Federal Government								
I.S.C.	\$	\$	\$	\$	\$	\$	\$ 6,943,325	\$ 3,489,716
F.N.I.H.							2,315,732	2,610,446
C.M.H.C.	139,418	259,276					139,418	259,276
Deferred from prior year							4,416,152	5,341,907
Deferred to following year	-	-	-	-	-	-	(5,974,223)	(4,416,152)
Subtotal	139,418	259,276			-	-	7,840,404	7,285,193
Other revenue	96,819	80,460	5,207,154	3,990,341	1,837,247	1,720,265	14,173,744	13,937,536
Total revenue	<u>236,237</u>	<u>339,736</u>	<u>5,207,154</u>	<u>3,990,341</u>	<u>1,837,247</u>	<u>1,720,265</u>	<u>22,014,148</u>	<u>21,222,729</u>
Expenses								
Amortization	142,539	114,247	694,377	786,365	58,689	62,185	2,595,176	2,230,240
Debt servicing	26,786	29,066	1,352	891			29,387	29,957
Other	155,181	136,107	2,714,271	6,949,227	1,131,538	1,016,128	14,003,046	16,771,680
Salaries and benefits	-	-	2,054,119	1,670,736	405,629	378,850	6,912,038	6,218,596
Total expenses	<u>324,506</u>	<u>279,420</u>	<u>5,464,119</u>	<u>9,407,219</u>	<u>1,595,856</u>	<u>1,457,163</u>	<u>23,539,647</u>	<u>25,250,473</u>
Surplus (Deficit)	<u>\$ (88,269)</u>	<u>\$ 60,316</u>	<u>\$ (256,965)</u>	<u>\$ (5,416,878)</u>	<u>\$ 241,391</u>	<u>\$ 263,102</u>	<u>\$ (1,525,499)</u>	<u>\$ (4,027,744)</u>