

Chemawawin Cree Nation
Consolidated Financial Statements
March 31, 2020

Chemawawin Cree Nation

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For the year ended March 31, 2020

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Management's Responsibility

To the Members of Chemawawin Cree Nation

The accompanying consolidated financial statements of Chemawawin Cree Nation are the responsibility of management and have been approved by the Chief and Council.

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Chemawawin Cree Nation Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the consolidated financial statements. The Council fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Council is also responsible for recommending the appointment of the Nation's external auditors.

MNP LLP is appointed by the Members to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Council and management to discuss their audit findings.

 E-SIGNED by Clarence Easter

Chief Clarence Easter

 E-SIGNED by Wanda Hengemuehl

Chief Financial Officer

Independent Auditor's Report

To the Chief and Council of Chemawawin Cree Nation:

Opinion

We have audited the consolidated financial statements of Chemawawin Cree Nation and its subsidiaries (the "First Nation"), which comprise the consolidated statement of financial position as at March 31, 2020, and the consolidated statements of operations and accumulated surplus, remeasurement gains and losses, change in net financial 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 the First Nation as at March 31, 2020, and the results of its consolidated operations, its consolidated remeasurement gains and losses 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 Consolidated Financial Statements section of our report. We are independent of the First Nation in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 Consolidated 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 the First Nation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the First Nation or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 the First Nation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the First Nation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 the First Nation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the First Nation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Swan River, Manitoba

November 30, 2020

MNP LLP

Chartered Professional Accountants

Chemawawin Cree Nation
Consolidated Statement of Financial Position
As at March 31, 2020

	2020	2019	
Financial assets			
Cash and cash equivalents (Note 3)	4,642,450	1,690,212	
Restricted cash (Note 4)	1,853,294	1,126,739	
Accounts receivable (Note 5)	2,186,801	4,811,338	
Investments (Note 6), (Note 15), (Note 16)	11,671,646	13,092,626	
Inventory for resale	1,999	2,000	
Investments in First Nation partnerships (Note 7)	488,246	731,165	
Funds held in trust (Note 8)	14	14	
	20,844,450	21,454,094	
Liabilities			
Accounts payable and accruals (Note 9)	4,103,552	5,392,314	
Deferred revenue (Note 10)	412,906	509,098	
Long-term debt (Note 11)	10,591,166	10,599,551	
Capital lease obligations (Note 12)	214,610	301,447	
	15,322,234	16,802,410	
Net financial assets	5,522,216	4,651,684	
Commitments and contingencies (Note 21)			
Subsequent events (Note 29)			
Non-financial assets			
Tangible capital assets (Note 13)	50,709,596	48,752,911	
Prepaid expenses and deposits	96,553	256,361	
Other (Note 14)	241,256	261,828	
	51,047,405	49,271,100	
Accumulated surplus	56,569,621	53,922,784	
Accumulated surplus is comprised of:			
Accumulated surplus	56,104,699	52,010,617	
Accumulated remeasurement gains	464,922	1,912,167	
	56,569,621	53,922,784	
Approved on behalf of the First Nation:			
E-SIGNED by Clarence Easter	Chief	E-SIGNED by Derek Packo	Councillor
E-SIGNED by William Hengemuehl	Councillor	E-SIGNED by Elvis George	Councillor
E-SIGNED by Russell Chartier	Councillor	E-SIGNED by Alpheus Brass	Councillor

Chemawawin Cree Nation
Consolidated Statement of Operations and Accumulated Surplus
For the year ended March 31, 2020

	2020 <i>Budget</i>	2020	2019
Revenue			
Indigenous Services Canada (Note 20)	15,891,244	18,550,965	15,386,101
Health Canada (Note 20)	3,473,589	3,610,439	3,092,509
Canada Mortgage and Housing Corporation (Note 20)	782,688	608,979	718,275
Human Resources and Skills Development Canada (Note 20)	-	518,286	535,505
Gaming revenues	648,350	577,045	560,899
Canada Post	-	31,464	28,169
Other revenue (including repayment of funding clawbacks)	3,659,485	570,970	491,197
Manitoba Hydro (excludes unreceived annual funding) (Note 22)	1,853,245	1,739,265	4,633,888
Province of Manitoba (Note 20)	181,500	534,713	46,924
Frontier School Division	75,000	316,330	191,222
Rental and user fees	813,971	1,454,575	1,199,311
Investment income	482,400	838,649	868,211
Interest income	1,020	16,013	19,361
Loss from investment in Nation partnerships and joint ventures	-	(242,939)	(95,470)
	27,862,492	29,124,754	27,676,102
Expenses			
Band Operations	13,488,873	11,143,370	10,714,194
CCN School Inc.	9,546,986	7,048,266	5,684,464
Chemawawin Otineka Business Corporation	-	58,465	64,647
Chemawawin Health Authority	3,473,589	3,349,857	3,068,637
Chemawawin Economic Development Inc.	-	1,518,771	1,549,155
Chemawawin Housing Authority	1,497,939	856,772	841,470
Chemawawin Gaming Commission	643,731	503,186	554,317
Chemawawin Development Trust	-	122,687	126,333
CCN Communications	-	172,813	174,946
4216083 MB Ltd.	-	12,171	12,755
Chemawawin Resource Trust	527,200	2,225	2,225
Chemawawin Service Centre	-	6,484	6,149
	29,178,318	24,795,067	22,799,292
Surplus (deficit) before other items	(1,315,826)	4,329,687	4,876,810
Other income (expense)			
Loss on disposal of capital assets	-	(235,605)	(56,559)
Gain on debt forgiveness	-	-	52,619
	-	(235,605)	(3,940)
Surplus (deficit)	(1,315,826)	4,094,082	4,872,870
Accumulated surplus, beginning of year	52,010,617	52,010,617	47,137,747
Accumulated surplus, end of year	50,694,791	56,104,699	52,010,617

The accompanying notes are an integral part of these financial statements

Chemawawin Cree Nation
Consolidated Statement of Remeasurement Gains and Losses
For the year ended March 31, 2020

	2020	2019
Accumulated remeasurement gains, beginning of year	1,912,167	2,067,257
Unrealized losses attributable to:		
Change in the fair market value of investments, current year	(1,447,245)	(155,090)
Accumulated remeasurement gains, end of year	464,922	1,912,167

Chemawawin Cree Nation
Consolidated Statement of Change in Net Financial Assets
For the year ended March 31, 2020

	<i>2020</i>	<i>2020</i>	<i>2019</i>
Annual surplus (deficit)	(1,315,826)	4,094,082	4,872,870
Purchases of tangible capital assets	-	(4,668,423)	(4,916,076)
Amortization of tangible capital assets	1,910,600	2,496,704	2,445,700
Loss on sale of tangible capital assets	-	235,605	56,559
Acquisition of prepaid expenses and deposits	-	-	(80,812)
Use of prepaid expenses	-	159,809	-
Change in remeasurement gains (losses) for the year	-	(1,447,245)	(155,090)
Increase in net financial assets	594,774	870,532	2,223,151
Net financial assets, beginning of year	4,651,684	4,651,684	2,428,533
Net financial assets, end of year	5,246,458	5,522,216	4,651,684

The accompanying notes are an integral part of these financial statements

Chemawawin Cree Nation
Consolidated Statement of Cash Flows
For the year ended March 31, 2020

	2020	2019
Cash provided by (used for) the following activities:		
Operating activities		
Surplus (deficit)	4,094,082	4,872,870
Non-cash items		
Amortization	2,496,704	2,445,700
Loss on disposal of capital assets	235,605	56,559
Loss from investment in Nation partnerships	242,939	95,470
Changes in working capital accounts		
Accounts receivable	2,624,537	(2,182,420)
Prepaid expenses	159,809	(80,812)
Accounts payable and accruals	(1,288,759)	1,958,658
Deferred revenue	(96,192)	(227,122)
Funds held in trust	-	13,102
	8,468,725	6,952,005
Financing activities		
Advances of long-term debt	1,009,266	-
Repayment of long-term debt	(1,017,651)	(1,023,016)
Repayment of capital lease obligations	(86,837)	(76,516)
	(95,222)	(1,099,532)
Capital activities		
Purchases of tangible capital assets	(4,668,423)	(4,916,076)
Investing activities		
Purchase of investments (cost)	(26,287)	(247,190)
Distribution from Aseneskak Casino Limited Partnership	-	40,000
	(26,287)	(207,190)
Increase in cash resources	3,678,793	729,207
Cash resources, beginning of year	2,816,951	2,087,744
Cash resources, end of year	6,495,744	2,816,951
Cash resources are composed of:		
Cash and cash equivalents total (Note 3)	4,642,450	1,690,212
Restricted cash (Note 4)	1,853,294	1,126,739
	6,495,744	2,816,951

The accompanying notes are an integral part of these financial statements

Chemawawin Cree Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

1. Operations

The Chemawawin Cree Nation (the "First Nation") is located in the province of Manitoba, and provides various services to its members. Chemawawin Cree Nation includes the First Nation's members, government and all related entities that are accountable to the First Nation and are either owned or controlled by the First Nation.

2. Significant accounting policies

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

Reporting entity consolidated

The financial statements consolidate the financial activities of all entities and departments comprising the First Nation reporting entity, except for First Nation business entities and partnerships.

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

- Chemawawin Cree Nation
- Chemawawin Cree Nation Development Trust Fund
- Chemawawin Resource Trust
- Chemawawin Gaming Commission
- CCN School Inc.
- Chemawawin Housing Authority
- 3034151 Manitoba Ltd. o/a Chemawawin Service Centre
- Chemawawin Health Authority
- Chemawawin Economic Development Inc. o/a Cedar Lake Community Project
- Chemawawin Otineka Business Corporation o/a Atawekamik (75% ownership interest)
- 4216083 Manitoba Ltd.
- CCN Communications

The assets and liabilities of other inactive entities, wholly owned by the First Nation, have also been included in the consolidated financial statements. All inter-entity balances and transactions have been eliminated on consolidation.

Investments in First Nation partnerships are included in the financial statements using the modified equity method. Under the modified equity method, the equity method of accounting is modified only to the extent that the business entity's accounting principles are not adjusted to conform to those of the First Nation. Thus, the First Nation's investment in these entities 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. Entities accounted for by the modified equity basis include:

- Asen eskak Casino Limited Partnership
- Asen eskak Company Inc.
- CCN-Arnason Industries Ltd. Joint Venture
- Nekote Limited Partnership
- Nekote General Partner Inc.
- Mahihkan Bus Lines Limited Partnership
- Mahihkan Bus Lines General Partner Inc.

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.

2. Significant accounting policies *(Continued from previous page)*

Financial instruments

Effective April 1, 2015, the First Nation early adopted the Public Sector Accounting Board's (PSAB) new recommendations for the recognition, measurement, and presentation and disclosure of financial assets, financial liabilities, and derivatives under Section PS 3450 Financial Instruments.

The First Nation has classified the following financial assets in the amortized cost category: cash and cash equivalents, restricted cash, accounts receivable and funds held in trust. These assets are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the trade date.

Cash and cash equivalents, restricted cash, accounts receivable and funds held in trust are subsequently measured at their amortized cost, using the effective interest method. Under this method, estimated future cash receipts are exactly discounted over the asset's expected life, or other appropriate period, to its net carrying value. Amortized cost is the amount at which the financial asset is measured at initial recognition less principal payments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and less any reduction for impairment or uncollectability.

The First Nation has classified the following liabilities in the amortized cost category: accounts payable and accruals, capital lease obligations, and long-term debt. These liabilities are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the trade date.

Accounts payable and accruals, long-term debt, and capital lease obligations are subsequently measured at amortized cost using the effective interest method. Under this method, estimated future cash payments are exactly discounted over the liability's expected life, or other appropriate period, to their net carrying value. Amortized cost is the amount at which the financial liability is measured at initial recognition less principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount.

At initial recognition, the First Nation may irrevocably elect to subsequently measure any financial instrument at fair value. The First Nation has not made such an election during the year.

The First Nation subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, at fair value. Fair value is determined by published price quotations. Transactions to purchase or sell these items are recorded on the trade date. Net gains and losses arising from changes in fair value are recognized in the statement of remeasurement gains and losses. Interest income is recognized in the statement of operations. Investments in equity instruments not quoted in an active market and derivatives that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, are subsequently measured at cost. With the exception of those instruments designated at fair value, all other financial assets and liabilities are subsequently measured at amortized cost using the effective interest rate method.

Transaction costs directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in operating surplus (deficit). Conversely, transaction costs are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

All financial assets except derivatives are tested annually for impairment. Management considers whether the investee/customer/member has experienced continued losses for a period of years, recent collection experience for the receivable, etc. in determining whether objective evidence of impairment exists. Any impairment, which is not considered temporary, is recorded in the statement of operations. Write-downs of financial assets measured at cost and/or amortized cost to reflect losses in value are not reversed for subsequent increases in value. Reversals of any net remeasurements of financial assets measured at fair value are reported in the statement of remeasurement gains and losses.

Fair value measurements

The First Nation has classified investments in the fair value category. These assets are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the trade date.

2. Significant accounting policies *(Continued from previous page)*

Investments are subsequently measured at their fair value. Investments in equity instruments that do not have quoted market prices in an active market are measured at fair value using alternative means of estimation. Gains and losses arising from changes in fair value, except for impairment losses and foreign exchange translation adjustments, are recognized in the statement of remeasurement gains and losses as a remeasurement gain or loss, until the financial asset is sold or otherwise derecognized. Upon derecognition, the cumulative gain or loss previously recognized in the statement of remeasurement gains or losses is transferred to the consolidated statement of operation.

Cash and cash equivalents

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

Restricted financial assets

Restricted financial assets consist of cash held by the Chemawawin Development Trust and the Chemawawin Resource Trust. These monies can only be used for permitted uses, as defined by the trust agreements. See notes 15 and 16.

Restricted financial assets also includes funds restricted as the CMHC replacement reserve account. In accordance with the terms of the agreements with CMHC, the First Nation has established a replacement reserve, with an annual allocation of an amount specified through the agreement with CMHC. The replacement reserve is a component of accumulated surplus and is funded by an annual charge against earnings and interest revenue. Qualifying asset replacements are charged against the replacement reserve.

The replacement reserve must be held or invested only in accounts or instruments guaranteed by the Canada Deposit Insurance Corporation, or as otherwise approved by CMHC. Reserve withdrawals are credited first to interest and then to principal.

Inventory

Inventory of supplies and goods available for resale are recorded at the lower of cost and net realizable value. Cost is determined by the weighted average method. Cost of inventories of items that are segregated for specific projects is assigned by using specific identification of their individual costs. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling costs.

Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Contributed tangible capital assets are recorded at their fair value at the date of contribution.

Amortization

Tangible capital assets are amortized annually using the following methods at rates intended to amortize the cost of the assets over their estimated useful lives (amortization is recorded at one-half the normal rate in the year of acquisition):

	Method	Rate
Buildings	declining balance	4% - 10%
Infrastructure	declining balance	4%
Data communications equipment	declining balance	10%
Boats	declining balance	15%
Furniture, fixtures and equipment	declining balance	20%
Automotive	declining balance	30%
Computer hardware	declining balance	30% - 100%
VLT Right of use	straight-line	10 years
Strategic alliance	straight-line	25 years

2. Significant accounting policies *(Continued from previous page)*

Long-term debt and capital lease obligations

Long-term financing received to fund tangible capital asset purchases is recognized in the period the financing is acquired and recorded as an increase in long-term debt.

Repayments of long-term financing are recognized as a decrease in long-term debt.

A lease that transfers substantially all of the benefits and risks of ownership is classified as a capital lease. At the inception of a capital lease, an asset and a payment obligation is recorded at an amount equal to the present value of the minimum lease payments. A leased tangible capital asset would be amortized over the period of expected use of the asset, on a basis that is consistent with the government's amortization policy for other similar tangible capital assets. If the lease contains terms that allow ownership to pass to the government or a bargain purchase option, the period of amortization would be the economic life of the property. Otherwise the property would be amortized over the lease term. All other leases are accounted for as operating leases and rental payments are expensed as incurred.

An arrangement contains a lease where the arrangement conveys a right to use the underlying tangible asset, and whereby its fulfillment is dependent on the use of the specific tangible asset. After the inception of the arrangement, a reassessment of whether the arrangement contains a lease is made only in the event that:

- there is a change in the contractual terms;
- a renewal option is exercised or an extension is agreed upon by the parties to the arrangement;
- there is a change in the determination of whether the fulfillment of the agreement is dependent on the use of the specific tangible assets; or
- there is a substantial physical change to the specified tangible asset.

Funds held in trust

Ottawa Trust Fund

Funds held in trust on behalf of First Nation members by the Government of Canada in the Ottawa Trust Fund are reported on the statement of financial position with an offsetting amount in accumulated operating surplus. Trust monies (if any) 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.

Other funds held in trust

Other funds held in trust include funds on retainer with the First Nation's legal counsel. These funds are retained in Trust as needed to cover contractual obligations as they arise and cover legal expenses incurred by the First Nation.

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 normally provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale in the normal course of operations. Non-financial assets include tangible capital assets, other assets and prepaid expenses.

Long-lived assets and discontinued operations

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

The First Nation performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying amount of an asset, or group of assets, may not be recoverable. The carrying amount of a long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted future cash flows from its use and disposal. Impairment is measured as the amount by which the asset's carrying amount exceeds its fair value. Fair value is measured using quoted market prices. Any impairment is included in surplus for the year.

2. Significant accounting policies *(Continued from previous page)*

Net financial assets

The First Nation's consolidated financial statements are presented so as to highlight net financial assets as the measurement of financial position. The net financial assets of the First 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.

Revenue recognition

Government transfers

The First Nation recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the First Nation recognizes revenue as the liability is settled. Transfers of non-depreciable assets are recognized in revenue when received or receivable.

Rental and other revenue

Other revenues are earned from other services provided by the First Nation and are recognized at their fair value when the service has been provided.

Retail sales are recognized when the sale is made and the customer takes possession of the merchandise.

Rent is 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 designated as unlikely to be collected.

Gaming revenue

The First Nation recognizes Video Lottery Terminals (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 gross of commissions paid to Manitoba Liquor and Lotteries which management believes is the most appropriate presentation of gaming revenue on the financial statements.

Insurance proceeds

Due to the inability to reasonably ascertain the proceeds ultimately receivable related to housing units damaged/destroyed, these proceeds are recognized only when the amounts have been confirmed through the actual receipts of funds.

Investment income

The First Nation earns investment income, including interest and dividend income related to its investment portfolio managed by Beutel Goodman (i.e. The Chemawawin Development Trust) as well as investments held in the Chemawawin Resource Trust. These revenues are recorded on an accrual basis when earned (interest) or declared as payable (dividends).

Provision for site rehabilitation

The Environmental Protection Act sets out the regulatory requirements to properly close and maintain active and inactive landfill sites, as well as other contaminated sites such as under-ground fuel tanks, sewage lagoons and burnt homes. Under environmental law, there is a requirement for closure and post-closure care of contaminated sites. For landfills, a liability is 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 and is equal to a proportion of 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 revenue generation, are expensed in the current year.

No liability has been recorded as of March 31, 2020 as funding from government agencies will offset any costs associated with the closure of landfill sites or the remediation of other contaminated sites.

Employee future benefits

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

2. Significant accounting policies *(Continued from previous page)*

Segments

The First Nation conducts its business through 12 reportable segments. These segments are differentiated by the major activities or services they provide. The First Nation's segments are as follows:

- *Band Operations* - activities include the governance function relating to decisions that define expectations, grant power or verify performance consisting of decision-making and leadership processes.
- *CCN School Inc.* - education service activities include overseeing many aspects of educational opportunities for its members at all levels of learning, operations and maintenance of all school facilities and the provision of transportation services for the students.
- *Chemawawin Housing Authority* - activities include the development and maintenance of the community's CMHC-financed buildings and houses.
- *Chemawawin Health Authority* - activities include the delivery of community-based health promotion and disease prevention programs, primary home and community care services, programs to control communicable diseases and address environmental issues and non-insured health benefits.
- *Chemawawin Economic Development Inc.* - activities include the maintenance of the Cedar Lake Shoreline and surrounding area.
- *Chemawawin Otineka Business Corporation* - real estate holdings leased out to a third party for a monthly flat rate.
- *CCN Communications, Chemawawin Service Centre and 4216083 MB Ltd.* - activities include real estate and infrastructure holdings and development, as well as administration of communication networks within the community.
- *Chemawawin Development Trust and Chemawawin Resource Trust* - trust operation activities include the management of funds in accordance with the terms of the Trust agreements the First Nation has in place.
- *Chemawawin Gaming Commission* - activities include providing a form of gaming entertainment for community members which generates revenue for discretionary needs of the community members.

These operating segments are established by senior management to facilitate the achievement of the First Nation's long-term objectives to aid in resource allocation decisions, and to assess operational performance.

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

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 2 *Significant accounting policies*.

Measurement uncertainty

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 reporting period.

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. Payables to funding agencies are based on anticipated repayment requirements; however actual repayments will be determined upon the funding agencies review of financial statements. These assumptions are reviewed periodically and, as adjustments become necessary, they are reported in the operations in the periods in which they become known.

Chemawawin Cree Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

3. Cash and cash equivalents

	2020	2019
Chemawawin Cree Nation (general fund)	2,922,518	576,680
Chemawawin Gaming Commission	116,844	58,623
CCN School Inc.	256,367	11,352
Chemawawin Housing Authority	225,715	152,171
Chemawawin Health Authority	504,438	494,530
Chemawawin Economic Development Inc.	211,667	7,843
Chemawawin Otineka Business Corporation	226,652	211,848
CCN Communications	178,249	177,165
	4,642,450	1,690,212

4. Restricted cash

	2020	2019
Chemawawin Development Trust	810,926	572,877
Chemawawin Resource Trust	24,506	12,694
Chemawawin Housing Authority - Replacement Reserve (note 19)	1,017,862	541,168
	1,853,294	1,126,739

5. Accounts receivable

	2020	2019
Canadian Mortgage and Housing Corporation (CMHC)	82,370	89,641
First Peoples Development Inc.	15,468	35,890
Frontier School Division	226,920	76,825
Indigenous Services Canada	863,072	1,230,665
Manitoba Hydro	2,964	2,732,855
Members	965,219	897,602
Northern Regional Health Authority	270,907	208,390
Province of Manitoba	746,011	211,247
Receiver General of Canada	29,944	51,291
Trade	351,267	499,703
	3,554,142	6,034,109
Less: Allowance for doubtful accounts	1,367,341	1,222,771
	2,186,801	4,811,338

Accounts receivable from Indigenous Services Canada pertained to the following programs:

Fish Study - 19/20	\$ 67,900
Basic Needs - 19/20	78,272
Covid Response - 19/20	109,465
Elementary/secondary - 18/19	470,052
Post secondary - 18/19	54,844
AFA Block CED - 18/19	14,476
Education facilities O&M - 18/19	5,442
Other facilities O&M - 18/19	2,621
School effectiveness - 18/19	60,000
Total	<u>\$ 863,072</u>

Chemawawin Cree Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

6. Investments

	2020 <i>At Fair Market Value</i>	2019 <i>At Fair Market Value</i>
Fixed income investments	3,168,969	3,767,583
Equities	5,705,370	6,326,002
Mutual funds	2,320,307	2,522,041
Guaranteed investment certificates (GIC)	477,000	477,000
	11,671,646	13,092,626

The cost of the mutual funds, equities, fixed income and GIC investments at March 31, 2020 totalled \$11,207,142 (2019 - \$11,180,648).

The guaranteed investment certificates bear interest ranging from 2.66 to 2.95% annually for five year terms, maturing January 2023 to November 2024.

The fixed income investments include provincial government and corporate bonds, which have various interest rates and maturity dates, ranging from 1.94% to 3.79% and April 2023 to December 2050, respectively.

7. Investments in First Nation partnerships and joint ventures

The First Nation has investments in the following partnerships and joint ventures:

	<i>Investment cost</i>	<i>Cumulative share of earnings (loss)</i>	<i>Cumulative distributions</i>	2020 <i>Total investment</i>
First Nation Business Partnerships – Modified Equity:				
Aseneskak Casino Limited Partnership - 16.67%	385,000	1,723,206	(1,399,671)	708,535
Aseneskak Company Inc. - 16.67%	101	-	-	101
CCN-Arnason Industries Ltd. Joint Venture - 51%	-	140,428	(140,428)	-
Nekote Limited Partnership - 14.29%	1,206	1,357	-	2,563
Mahihkan Bus Lines Limited Partnership - 16.67%	10	(222,973)	-	(222,963)
Mahihkan Bus Lines General Partner Inc. - 16.67%	10	-	-	10
	386,327	1,642,018	(1,540,099)	488,246
				2019
	<i>Investment cost</i>	<i>Cumulative share of earnings (loss)</i>	<i>Cumulative dividends paid</i>	<i>Total investment</i>
First Nation Business Partnerships – Modified Equity:				
Aseneskak Casino Limited Partnership - 16.67%	385,000	1,742,646	(1,399,671)	727,975
Aseneskak Company Inc. - 16.67%	101	-	-	101
CCN-Arnason Industries Ltd. Joint Venture - 51%	-	140,428	(140,428)	-
Nekote Limited Partnership - 14.29%	1,206	1,883	-	3,089
	386,307	1,884,957	(1,540,099)	731,165

Chemawawin Cree Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

7. Investments in First Nation partnerships and joint ventures *(Continued from previous page)*

Summary financial information for each First Nation business partnership, accounted for using the modified equity method, for their respective year-end is as follows:

	<i>Aseneskak Casino Limited Partnership As at March 31, 2020</i>	<i>Nekote Limited Partnership As at March 31, 2020</i>	<i>Mahihkan Bus Lines Limited Partnership As at March 31, 2020</i>
Assets			
Cash	830,219	24,660	-
Accounts receivable	1,210,049	-	184,611
Inventory	35,673	-	39,871
Investments	817,701	505	-
Prepaid expenses	59,721	-	201
Property, plant and equipment	2,093,397	-	1,249,539
Right of use assets	1,217,951	-	-
Net investment in sublease	141,663	-	-
Goodwill	-	-	209,952
Total assets	6,406,374	25,165	1,684,174
Liabilities			
Accounts payable and accruals	268,622	6,447	908,875
Bank indebtedness	-	-	608,923
Advances from related party	-	775	-
Current portion of long-term debt	463,174	-	601,661
Current portion of lease liabilities	259,806	-	-
Long-term debt	39,612	-	749,182
Lease liabilities	1,123,540	-	-
Deferred government assistance	-	-	153,497
Total liabilities	2,154,754	7,222	3,022,138
Net assets	4,251,620	17,943	(1,337,964)
Total revenue	5,243,379	139,318	1,973,717
Total expenses (including other items)	5,360,020	143,000	3,311,751
Net loss	(116,641)	(3,682)	(1,338,034)

Aseneskak Casino Limited Partnership - the First Nation owns one unit which represents a 16.67% ownership interest. The partnership was established in 2000 with the purpose of developing a First Nation Casino on the Opaskwayak Cree Nation Reserve, in Manitoba, licensed by the Manitoba Gaming Control Commission.

Aseneskak Company Inc. - the First Nation owns 1,000 common shares which represents a 16.67% ownership interest. The corporation was organized on January 5, 2001, for the sole undertaking of acting as the general partner of the Aseneskak Casino Limited Partnership.

CCN-Arnason Industries Ltd. Joint Venture - The First Nation has a 51% stake in this joint venture. The joint venture was formed on October 26, 2017 for the purpose of construction and developing the Manitoba Hydro Causeway/Old Post Project and Brush Clearing. This project was completed prior to March 31, 2018. There was limited activity under this joint venture during the year-ended March 31, 2020.

Nekote Limited Partnership - The First Nation owns units representing 14.29% ownership interest. The partnership was formed on June 1, 2017 with the purpose of developing and maintaining sound forest management practices and to maximize economic opportunities and benefits for its First Nation partners' through strategic partnerships with companies operating in the forestry industry in Northern Manitoba.

Chemawawin Cree Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

7. Investments in First Nation partnerships and joint ventures *(Continued from previous page)*

Nekote General Partner Inc. - the First Nation owns common shares representing 14.29% ownership interest. The corporation was organized on June 13, 2017, for the sole undertaking of acting as the general partner of the Nekote Limited Partnership.

Mahihkan Bus Lines Limited Partnership - the First Nation owns one unit which represents a 16.67% ownership interest. The partnership was established in 2018 with the purpose of developing and operating a First Nations tour and bus line business.

Mahihkan Bus Lines General Partner Inc. - the First Nation owns 1,000 common shares which represents a 16.67% ownership interest. The corporation was organized on October 23, 2018, for the sole undertaking of acting as the general partner of the Mahihkan Bus Lines Limited Partnership.

8. Funds held in trust

	2020	2019
Ottawa Trust - capital		
Balance	-	-
Ottawa Trust - revenue		
Balance	14	14
Other funds held in trust		
Balance, beginning of year	-	13,102
Funds disbursed to vendor	-	(13,102)
Balance, end of year	-	-
	14	14

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 and 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 when collection is reasonably assured. Capital and Revenue trust monies are transferred to the First Nation on the authorization of the Minister of Indigenous Services Canada, with the consent of the First Nation's Chief and Council.

Capital Trust	\$0 (2019 - \$0); Interest revenue \$0 (2019 - \$0)
Revenue Trust	\$14 (2019 - \$14); Interest revenue \$1 (2019 - \$0)

Chemawawin Cree Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

9. Accounts payable and accruals

	2020	2019
Accounts payable	3,474,664	4,477,839
Interest payable	10,696	25,104
Payroll liabilities	350,052	152,328
Receiver General	37,921	37,828
Staff savings	6,441	9,833
Band members in trust	107,865	97,602
First Nation Financial Services (note 17)	56,128	56,128
Indigenous Services Canada	8,334	69,201
Accrued liabilities	17,475	17,475
Short-term debt (ICON Management - due on demand with no interest)	12,450	427,450
Health Canada	21,526	21,526
	4,103,552	5,392,314

Indigenous Services Canada accounts payable consists of the following:

Enhanced Teacher Salaries (18/19)	\$ 642
Skills Link (18/19)	53
School Effectiveness (17/18)	750
Language and Cree Culture (17/18)	<u>6,889</u>
Total	<u>\$8,334</u>

10. Deferred revenue

	<i>Balance, beginning of year</i>	<i>Funding received 2020</i>	<i>Revenue recognized 2020</i>	<i>Balance, end of year</i>
Health Canada - Jordan's Principle	200,836	1,314,784	1,502,300	13,320
First Peoples' Development Inc.	61,808	518,286	548,004	32,090
The Lawson Foundation	1,725	-	1,725	-
UCN - Classroom Project	29,469	-	-	29,469
RCMP	4,887	58,644	58,644	4,887
K&B Supplies - Final Month Rent	5,000	-	-	5,000
The Nature Conservancy	-	10,456	-	10,456
Archival Sustainable Plan	-	24,341	-	24,341
ISC - COVID-19 Emergency Measures	-	93,343	-	93,343
MB Hydro - Cedar Lake Community Project	-	200,000	-	200,000
ISC - Community Based Initiatives	185,373	-	185,373	-
ISC - Capacity Building	20,000	-	20,000	-
	509,098	2,219,854	2,316,046	412,906

11. Long-term debt

	2020	2019
Manitoba Lotteries Corporation - loan repayable in weekly installments of \$740 (2019 - \$740) with interest at 2.35% (2019 - 2.35%) included therein, due April 2021, secured by VLT machines with a net book value of \$86,020 (2019 - \$112,200):	40,886	77,933
Canada Mortgage and Housing Corporation - (10 units - 2001) mortgage repayable in monthly installments of \$4,131 (2019 - \$4,131) with interest at 1.03% (2019 - 1.03%) included therein, due August 1, 2026, with renewal date of October 1, 2021, secured by a Ministerial Guarantee, a CMHC undertaking to insure and an assignment of fire insurance:	307,699	353,844

Chemawawin Cree Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

11. Long-term debt *(Continued from previous page)*

	2020	2019
Canada Mortgage and Housing Corporation - (10 unit - 2003) mortgage repayable in monthly installments of \$4,461 (2019 - \$4,515) with interest at 1.75% (2019 - 2.04%) included therein, due April 1, 2028, with renewal date of October 1, 2024, secured by a Ministerial Guarantee, a CMHC undertaking to insure and an assignment of fire insurance:	403,349	449,033
Canada Mortgage and Housing Corporation - (9 units - 2004) mortgage repayable in monthly installments of \$4,007 (2019 - \$4,007) with interest at 1.83% (2019 - 1.83%) included therein, due November 1, 2029, with a renewal date of May 1, 2020, secured by a Ministerial Guarantee, a CMHC undertaking to insure and an assignment of fire insurance:	425,804	465,705
Canada Mortgage and Housing Corporation - (9 units - 2005) mortgage repayable in monthly installments of \$4,147 (2019 - \$4,147) with interest at 1.01% (2019 - 1.01%) included therein, due February 1, 2031, with a renewal date of February 1, 2021, secured by a Ministerial Guarantee, a CMHC undertaking to insure and an assignment of fire insurance:	514,260	558,590
Canada Mortgage and Housing Corporation - (5 units - 2007) mortgage repayable in monthly installments of \$2,916 (2019 - \$2,916) with interest at 2.39% (2019 - 2.39%) included therein, due November 1, 2032, with a renewal date of February 1, 2023, secured by Ministerial Guarantee, a CMHC undertaking to insure and an assignment of fire insurance:	382,275	407,818
Canada Mortgage and Housing Corporation - (68 units - 2008) mortgage repayable in monthly installments of \$21,960 (2019 - \$22,376) with interest at 1.75% (2019 - 2.04%) included therein, due May 1, 2033, with a renewal date of October 1, 2024, secured by a Ministerial Guarantee, a CMHC undertaking to insure and an assignment of fire insurance:	3,098,220	3,303,124
Canada Mortgage and Housing Corporation - (8 units) mortgage repayable in monthly installments of \$2,313 (2019 - \$2,313) with interest at 1.14% (2019 - 1.14%) included therein, due June 1, 2036, with a renewal date of June 1, 2021, secured by Ministerial Guarantee, a CMHC undertaking to insure and an assignment of fire insurance:	411,550	434,467
Canada Mortgage and Housing Corporation - (31 units) mortgage repayable in monthly installments of \$8,979 (2019 - \$8,979) with interest at 1.14% (2019 - 1.14%) included therein, due June 1, 2036, with a renewal date of June 1, 2021, secured by a Ministerial Guarantee, a CMHC undertaking to insure and an assignment of fire insurance:	1,597,889	1,686,868
Canada Mortgage and Housing Corporation - (4 units - 2019) mortgage repayable in monthly installments of \$6,173 with interest at 1.87% included therein, due May 1, 2034, with a renewal date of May 1, 2024, secured by a Ministerial Guarantee, a CMHC undertaking to insure and an assignment of fire insurance:	921,842	-
Canada Mortgage and Housing Corporation - (8 units) mortgage repayable in monthly installments of \$2,042 with interest at 2.23% included therein, paid in full during the year:	-	4,078
Canada Mortgage and Housing Corporation - (10 units - 1994) mortgage repayable in monthly installments of \$3,123 with interest at 2.1% included therein, paid in full during the year:	-	24,781
Royal Bank of Canada - loan repayable in monthly installments of \$3,528 with interest at 4.27% included therein, due May 13, 2022, secured by a boat with a net book value of \$120,245:	87,424	-

Chemawawin Cree Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

11. Long-term debt *(Continued from previous page)*

	2020	2019
Royal Bank of Canada - loan repayable in monthly installments of \$33,334 (2019 - \$33,334) plus interest at prime plus 1.95% (2019 - 1.95%), with a scheduled repayment date of March 2026, secured by a band council resolution redirecting Manitoba Hydro and ISC capital funding to the financial institution:	2,399,968	2,833,310
	10,591,166	10,599,551

Principal repayments on long-term debt in each of the next five years, assuming long-term debt subject to refinancing is renewed, are estimated as follows (debt with no fixed repayment terms have been included in principal repayments for 2020):

	Principal
2021	1,020,226
2022	1,003,173
2023	982,686
2024	992,555
2025	1,009,709
Total	5,008,349

During the year, interest paid was \$308,718 (2019 - \$337,978).

12. Capital lease obligations

	2020	2019
John Deere Financial - obligation under capital lease payable in equal monthly installments of \$1,976 including interest at 8.5% (2019 - 8.5%), due August 2022, with a John Deere 650K Dozer, having a net book value of \$142,128 (2019 - \$177,660), pledged as collateral:	49,885	68,324
John Deere Financial - obligation under capital lease payable in equal monthly installments of \$5,752 (2019 - \$5,806) including interest at 8.5% (2019 - 8.5%), due August 2022, with a John Deere 180G Excavator, having a net book value of \$186,532 (2019 - \$233,165), pledged as collateral:	145,081	202,955
John Deere Financial - obligation under capital lease payable in equal monthly installments of \$779 (2019 - \$786) including interest at 8.5% (2019 - 8.5%), due August 2022, with a John Deere 60G Excavator, having a net book value of \$73,532 (2019 - \$91,915), pledged as collateral:	19,644	30,168
	214,610	301,447

Minimum lease payments related to obligations under capital lease are as follows:

2021	101,528
2022	101,344
2023	33,785
	236,657
Less: imputed interest	22,047
Balance of obligation	214,610

Chemawawin Cree Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

13. Tangible capital assets

The tangible capital assets reconciliation is included in Schedule 1.

Tangible capital assets include assets under capital lease with a gross cost of \$698,250 (2019 - \$698,250), and accumulated amortization of \$296,058 (2019 - \$195,510).

During the year, buildings under construction totalled \$2,345,563 (2019 - \$3,665,850). These buildings include the water treatment plant and 7 RTM homes. The RTM homes are expected to be completed in the next fiscal year. No amortization of these assets has been recorded during the year because they are currently under construction. The buildings under construction as at March 31, 2019 related to 14 RTM homes. These projects were completed during the year, and amortization has commenced in the 2019 fiscal year.

There were no additional assets not-in-use at March 31, 2020 (2019 - \$274,928). The other assets not-in-use as at March 31, 2019 related to two new water trucks. These trucks were put into service during the year, and amortization has commenced in the 2019 fiscal year.

14. Other

	2020	2019
VLT administration fee	100,980	112,200
MTS strategic alliance agreement	140,276	149,628
	241,256	261,828

Other assets consists of the unamortized portion of Chemawawin Gaming Commission's VLT administration fee and the unamortized portion of the original cost of a strategic alliance cellular phone service agreement with MTS acquired during the 2006/07 fiscal year.

Included in amortization expense is \$20,571 (2019 - \$35,531) related to the amortization of other assets.

15. Chemawawin Development Trust Fund

The Chemawawin Cree Nation Development Trust Fund was settled on December 20, 1990 with a payment of \$10,265,922 from the Manitoba Hydro-Electric Board in partial settlement of certain damages suffered by the Chemawawin Cree Nation (Cree Nation). The purpose of the Trust is to support the future development of the Cree Nation and Cree Nation Members, including its fishermen, trappers, hunters and other community-resource users.

Equity of the Trust is separated into two distinct funds as set out in the terms of the Trust Agreement.

Capital fund

The Capital Fund includes the original settlement amount and any transfers from the Income Fund less encroachments on capital. Encroachments on capital are limited to 5% of the net value of the Trust at the beginning of the year. The Capital Fund can never be reduced below the original settlement amount. At March 31, 2020 the net market value of the trust fund is \$11,995,570 (2019 - \$13,168,553).

Income fund

The Income Fund accumulates the income generated by the Trust less administrative expenses and any distributions to fixed income beneficiaries or eligible income beneficiaries. Fixed income beneficiaries include Senior Elders of the Cree Nation who are paid \$125 per month. Chemawawin Cree Nation is the eligible income beneficiary.

Income distributions requested by the Cree Nation Trustees are recorded in the accounts of the Trust upon confirmation that the distribution satisfies all of the terms of the Trust Agreement. Any balance in the Income Fund which has not been allocated or paid within six months after the Trust year end shall be transferred to the Capital Fund.

Of the First Nation's investments, \$11,194,646 (at fair value) (2019 - \$12,615,626) relate to investments held in the Chemawawin Development Trust.

Chemawawin Cree Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

16. Chemawawin Resource Trust

In accordance with the 2002 Comprehensive Forebay Agreement signed by Chemawawin Cree Nation, the Province of Manitoba and Manitoba Hydro, \$400,000 was received by the First Nation to establish the Chemawawin Resource Trust. The investment income generated from these monies is to be utilized to support the future participation costs of Chemawawin representatives on the Cedar Lake Resource Management Board.

Of the First Nation's investments, \$477,000 (2019 - \$477,000) relate to investments held in the Chemawawin Resource Trust.

17. Non-controlling interest

In 2009, Chemawawin Cree Nation entered into an agreement with First Nations Financial Services Inc. (FNFS), whereby FNFS received a 25% equity interest in Chemawawin Otineka Business Corporation o/a Atawekamik ("the corporation"), in exchange for full and complete satisfaction of the First Nation's indebtedness to FNFS. This agreement also stipulates that the corporation must pay 25% of any net income earned during the corporation's fiscal year to FNFS; however, any net losses are to be fully absorbed by Chemawawin Cree Nation. Related to this agreement, there is no current year profit allocated (2018 - \$NIL), which leaves an amount payable of \$56,128 (2018 - \$56,128) in the accounts payable balance at March 31, 2020.

Furthermore, effective January 2018, the corporation ceased operations of the grocery store as the Nation engaged a third party organization to operate the local grocery store.

18. Pension benefits

The Nation has a defined contribution pension plan for employees whereby the employees' contributions to the plan are matched by the Nation up to a maximum of 2.5% of gross earnings. The pension plan is administered and managed by Great West Life.

The expense recognized in the consolidated statement of operations and accumulated surplus with respect to employer contributions to this plan was \$130,786 (2019 - \$124,613). There were no significant changes to the pension plan in 2020.

Separate bank account(s) for pension deductions (including employer's share) were not maintained by the Nation. As at March 31, 2020, the Nation had outstanding pension benefits pertaining to deductions of \$22,858 (2019 - \$6,951).

19. Unfunded reserves

CMHC Reserves

Under agreements with Canada Mortgage and Housing Corporation (CMHC) the Nation established the following:

A replacement reserve, established by an annual allocation of \$172,650 (2019 - \$170,250), to ensure replacement of buildings financed by CMHC. A replacement reserve fund was segregated as at March 31, 2020 with a balance of \$1,017,862 (2019 - \$541,168). At March 31, 2020, an amount of \$220,646 (2019 - \$626,877) is unfunded.

A subsidy surplus reserve can be established by retaining excess federal assistance payments received. Reserve funds may be used to meet future subsidy requirements of income test occupants, over and above the maximum federal assistance.

In accordance with terms of the agreements, CMHC reserve monies must be held or invested only in accounts or instruments guaranteed by the Canada Deposit Insurance Corporation, or as otherwise approved by CMHC. Reserve withdrawals are credited first to interest and then to principal.

At March 31, 2020, no reserve bank balance was maintained for the subsidy surplus reserve.

Chemawawin Cree Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

20. Government transfers

During the year, the First Nation recognized the following government transfers:

	2020	2019
Indigenous Services Canada - operating	16,135,730	13,222,076
Indigenous Services Canada - capital	2,415,235	2,164,025
Health Canada - operating	3,457,919	3,092,509
Health Canada - capital	152,520	-
Canada Mortgage and Housing Corporation - operating	608,979	718,275
Human Resources and Skills Development Canada - operating	518,286	522,207
Human Resources and Skills Development Canada - capital	-	13,298
Province of Manitoba - operating	534,713	46,924
	23,823,382	19,779,314

21. Commitments and contingencies

A portion of the balance included as surpluses (deficits) is from funds contributed by government agencies. Such surpluses (deficits) may be subject to repayment or recovery by the contribution agencies, depending on the terms and conditions of the relevant agreements. Where not otherwise ascertainable, any such repayments or recovery will be recorded in the fiscal period in which such determination is made.

Pursuant to a motion adopted by Chief and Council on November 16, 1998, and amended February 16, 1999, retroactive to 1994, severance packages equivalent to two months of salary for every year of service to a maximum of twelve months are to be awarded to the Chief and Council members who are removed from their respective position by election or otherwise.

The Manitoba Health and Post Secondary Education Tax Levy, also known as payroll tax, is a tax imposed on remuneration in excess of \$1.25 million that is paid to employees. CCN School Inc. has payroll exceeding this amount and therefore could be subject to this tax which approximates \$96,721 for the 2019 calendar year (2018 - \$84,879). This issue has also been noted in prior years and therefore the potential cumulative liability would be significant to the First Nation.

Effective July 1, 2018, the First Nation signed a services agreement with ICON Management Services (ICON). Under this agreement, the First Nation is obligated to pay ICON \$11,500 per month until June 30, 2024. The agreement also includes provisions for additional fees related to project management, band financing and negotiation services.

Vista Building Solutions Inc. acts as the predominant supplier to the Nation for purchases related to capital projects, including housing and infrastructure projects. Effective November 5, 2010, the First Nation signed a services agreement with Vista Building Products Inc. This agreement stipulated a project management fee of 10% of project costs and 40% of any profit margin realized by the First Nation on relevant projects. This agreement expired on September 30, 2015. The agreement has not been renewed at the time of financial statement preparation; however, services have continued based on the terms of the expired contract until a new agreement is signed.

In 2010, the Chemawawin Development Trust signed a service agreement with Beutel, Goodman and Company Ltd. to manage its investment portfolio. Under this agreement, the Trust is obligated to pay fees based on a percentage of investments being managed, at a minimum of \$30,000 per year. The Trust may terminate the agreement by providing the service provider with at least thirty days written notice. Therefore, the minimum contractual obligation amounts to \$30,000.

The Chemawawin Development Trust has a signed service agreement in place with Peace Hills Trust. In exchange for providing investment and administrative services, Peace Hills Trust Company (the administrator of the Trust), charges a management fee based on the gross value of the Trust assets calculated on the last business day of each month. Charges to the Trust for the year-ended March 31, 2020 amounted to \$58,557 (2019 - \$52,087).

A claim has been filed against Chemawawin Cree Nation by the Tribal Council's Investment Group (TCIG) in the aggregate amount of \$787,373. At March 31, 2020, there was a total of \$559,000 included in accounts payable related to these claims and a counter-claim is being pursued by the First Nation in the amount of \$842,310. The Defence and Counterclaim were filed and served on or about September 15, 2015, and no further action has been taken by TCIG since that time.

Chemawawin Cree Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

21. Commitments and contingencies *(Continued from previous page)*

The First Nation carries a level of insurance coverage sufficient to cover only CMHC homes. As such, the First Nation is uninsured with respect to its other buildings and homes, equipment, other assets, etc.

On January 12, 2018 the First Nation (the "lessor") entered into a lease agreement with William Hengemuehl and Kimberly Walker (the "lessee") whereas, the lessee will occupy the land, building and equipment located at 20 Arena Road, Chemawawin Cree Nation, Easterville, Manitoba for the purpose of operating the grocery store and fuel service station, known as Atawekamik. The initial term of this agreement extends five years, and the tenant has the right to extend the term for three additional periods of five years. As part of this agreement, the First Nation may be required to undertake capital improvements to the building as agreed upon with the lessee.

In December 2017, the First Nation was served with a Notice of Garnishment from the Communities Economic Development Fund ("CEDF"). This Notice of Garnishment was from a default judgment that was obtained previously in 2007 from the Court of Queen's Bench. The total original amount sought by CEDF amounted to \$316,927. The First Nation challenged this claim in court and was not successful. Included in the First Nation's accounts receivable at March 31, 2020 was \$746,011 (2019 - \$211,247) from the Province of Manitoba and \$270,907 (2019 - \$208,390) from the Northern Regional Health Authority, both of which are being withheld under the garnishment order related to this matter. \$1,016,918 (2019 - \$419,637) has been included in the allowance for doubtful accounts at March 31, 2020 as the collection of these balances remains uncertain until this matter is settled.

22. Contingent asset

The Nation has a funding agreement with Manitoba Hydro under the Community Endeavours Program (CEP). Under this program, all funds (which includes previous CEP surpluses reported) are to be expended on CEP related activities prior to the expiration of the agreement in April 2060.

The Nation has reporting obligations to Manitoba Hydro in this regard. As at March 31, 2020, \$492,175 (2019 - NIL), excluding inflationary adjustments, was being held by Manitoba Hydro until all reporting obligations were satisfied. The amount held represents one annual payment as defined in the agreement between the Nation and Manitoba Hydro. The Nation intends to complete and submit all required reporting obligations, and as a result, receipt of the unadvanced funding is considered likely.

23. Related party transactions

During the year, the First Nation made purchases (including supplies, grocery items, and fuel) from K & B Supplies, a local grocery store and fuel supplier, totalling \$841,726 (2019 - \$450,643) in which one of the First Nation's councillors is a partner. In 2018, K & B Supplies also entered into a lease agreement to operate the Atawekamik grocery store. Related lease revenue totalling \$60,000 (2019 - \$60,000) has been included in rental income by Chemawawin Cree Nation. At March 31, 2020, the Nation has recorded trade accounts payable to K & B Supplies totalling \$83,831 (2019 - \$52,541).

The First Nation is a member of the Swampy Cree Tribal Council ("SCTC"), an organization representing seven neighbouring First Nation communities in northwest-central Manitoba. During the year, the First Nation received distribution payment from SCTC as well as donations. Total receipts from the SCTC for the year-ended March 31, 2020 equalled \$11,544 (2019 - \$74,110). At March 31, 2020, the First Nation reports NIL receivable (2019 - \$70,000) and NIL payable (2019 - NIL) from the Swampy Cree Tribal Council.

The above noted transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

24. Budget information

Canadian public sector accounting standards require the disclosure of budget information for comparison to the First Nation's actual revenues and expenses. The disclosed budget information has been approved by the Chief and Council of the Chemawawin Cree Nation.

Chemawawin Cree Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

25. Economic dependence

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

26. Fundraising accounts

Members of the First Nation maintain separate bank accounts for certain fundraising activities that are undertaken (e.g. school fundraisers, etc.). In some instances, these bank accounts contain the First Nation's name. However, management maintains that these accounts are not controlled by the First Nation, and instead are controlled by the staff, students, etc. that are directly undertaking the fundraising activity. Therefore, these accounts have been excluded from these financial statements.

27. 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 interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

Credit risk

The First Nation believes that it is not exposed to significant credit risk from its accounts receivable (net of allowance for doubtful accounts). Accounts receivable balances from the following funding sources at March 31, 2020 (44% of total accounts receivable; 2019 - 85%) are deemed to have minimal risk associated with collection pursuant to the terms of the related funding agreements:

Indigenous Services Canada	\$ 863,072 (2019 - \$1,230,665)
Canada Mortgage and Housing Corporation	82,370 (2019 - \$89,641)
First Peoples' Development Inc.	15,468 (2019 - \$ 35,890)
MB Hydro	NIL (2019 - \$2,732,855)

Liquidity risk

The First Nation manages its liquidity risks by maintaining adequate cash and credit facilities and by updating and reviewing cash flow projections on a regular basis.

Price risk

Foreign currency risk

The First Nation's functional currency is the Canadian dollar and virtually all purchases and revenue receipts are transacted in Canadian dollars. The First Nation holds investments in a US dollar account, which exposes them to foreign currency fluctuations. The market value of investments held in US dollars was \$3,146,913 at March 31, 2020 (2019 - \$3,196,823). A 1% change in the currency rate would impact the remeasurement gains (losses) reported by approximately \$31,469 (2019 - \$31,968). Management believes that foreign exchange risk from currency conversions is negligible.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument may be adversely affected by a change in interest rates. In seeking to minimize the risks from interest rate fluctuations, the First Nation manages exposure through its normal operating and financing activities. If the interest rate increases by 0.25%, interest charges would increase by \$27,014 (2019 - \$27,253) approximately.

27. Financial instruments *(Continued from previous page)*

Fair value

The following illustrates the classification of the First Nation's instruments that are classified in the fair value category as at March 31, 2020:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities

Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 - Inputs that are not based on observable market data.

The fair value hierarchy has remained consistent throughout the year.

The First Nation has classified investments in the fair value category as a level 1 financial asset with a fair value of \$11,671,646 as at March 31, 2020 (2019 - \$13,092,626). The First Nation has no level 2 or level 3 designated financial instruments.

28. Corresponding figures

Prior year's corresponding figures have been reclassified where necessary to conform to the current year's presentation.

29. Subsequent events

COVID - 19

Subsequent to year-end, the global outbreak of COVID-19 (coronavirus) continued, which has had a significant impact on the operations through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the First Nation as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

Canada Mortgage Housing Corporation (CMHC) Housing project

CMHC has provided financing in the amount of \$900,000 for a 4-unit housing project. The interest adjustment date was set at April 1, 2020 and funding was received in April 2, 2020.

Housing Project Financing

During the year, the Nation constructed housing units that will be occupied by members of the local RCMP detachment. The construction costs incurred up to March 31, 2020 amounted to \$1,832,030. Subsequent to March 31, 2020, the Nation obtained third party financing to cover a significant portion of these construction costs.

Chemawawin Cree Nation
Schedule 1 - Consolidated Schedule of Tangible Capital Assets
For the year ended March 31, 2020

	Data Communications Equipment	Furniture, Fixtures and Equipment	Automotive	Infrastructure	Boats	Computer Hardware	Subtotal
Cost							
Balance, beginning of year	457,049	2,230,987	6,032,338	14,004,858	278,284	185,449	23,188,965
Acquisition of tangible capital assets	-	195,457	467,712	-	129,995	40,118	833,282
Disposal of tangible capital assets	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
Balance, end of year	457,049	2,426,444	6,500,050	14,004,858	408,279	225,567	24,022,247
Accumulated amortization							
Balance, beginning of year	225,338	1,625,684	4,922,060	6,060,988	125,270	158,209	13,117,549
Annual amortization	23,171	140,191	357,584	317,755	32,702	29,941	901,344
Accumulated amortization on disposals	-	-	-	-	-	-	-
Balance, end of year	248,509	1,765,875	5,279,644	6,378,743	157,972	188,150	14,018,893
Net book value of tangible capital assets	208,540	660,569	1,220,406	7,626,115	250,307	37,417	10,003,354
Net book value of tangible capital assets 2019	231,711	605,303	1,110,278	7,943,870	153,014	27,240	10,071,416

Chemawawin Cree Nation
Schedule 1 - Consolidated Schedule of Tangible Capital Assets
For the year ended March 31, 2020

	<i>Subtotal</i>	<i>Buildings</i>	<i>Construction- in-progress</i>	<i>Assets Under Capital Lease</i>	<i>2020</i>	<i>2019</i>
Cost						
Balance, beginning of year	23,188,965	58,904,281	3,665,850	698,250	86,457,346	81,824,483
Acquisition of tangible capital assets	833,282	1,489,578	2,345,563	-	4,668,423	4,916,076
Disposal of tangible capital assets	-	(541,063)	-	-	(541,063)	(283,213)
Transfers	-	3,665,850	(3,665,850)	-	-	-
Balance, end of year	24,022,247	63,518,646	2,345,563	698,250	90,584,706	86,457,346
Accumulated amortization						
Balance, beginning of year	13,117,549	24,391,376	-	195,510	37,704,435	35,520,921
Annual amortization	901,344	1,474,241	-	100,548	2,476,133	2,410,168
Accumulated amortization on disposals	-	(305,458)	-	-	(305,458)	(226,654)
Balance, end of year	14,018,893	25,560,159	-	296,058	39,875,110	37,704,435
Net book value of tangible capital assets	10,003,354	37,958,487	2,345,563	402,192	50,709,596	48,752,911
Net book value of tangible capital assets 2019	10,071,416	34,512,905	3,665,850	502,740	48,752,911	

Chemawawin Cree Nation
Schedule 2 - Schedule of Consolidated Expenses by Object
For the year ended March 31, 2020

	2020	2019
Consolidated expenses by object		
Advertising	2,499	1,190
Amortization	2,496,704	2,445,700
Automotive	553,694	615,500
Bad debts	144,530	3,526
Bank charges and interest	40,098	40,571
Board travel, training and honouraria	9,400	10,400
CMHC subsidy withheld reduced	-	47,212
Community donations	338,549	314,506
Elders fees	173,000	167,875
Food and beverage	72,391	101,949
Funding clawback	-	11,700
Funeral	45,875	73,499
Health	585,260	607,892
Honouraria	112,900	122,885
Insurance	145,892	126,306
Interest on long-term debt	308,718	337,665
Meeting	3,880	1,083
Miscellaneous	86,279	12,313
Office equipment lease	43,701	50,287
Office rent	95,626	4,520
Office supplies and overhead	48,868	51,960
Professional development	88,517	118,196
Professional fees	386,244	309,996
Program expense	1,712,140	1,442,533
Rent	27,960	40,150
Repairs and maintenance	823,196	703,020
Salaries and benefits	11,287,462	9,809,610
Social assistance	3,285,071	3,374,760
Supplies	606,425	773,768
Telephone	135,796	111,493
Tobacco tax rebates distributed to vendor	126,714	-
Training	30,176	22,506
Travel	431,856	424,153
Trust expenses	123,687	127,333
User fees	36,260	37,135
Utilities	385,699	356,100
Total	24,795,067	22,799,292

Chemawawin Cree Nation

Schedule 3 - Consolidated Schedule of Revenue and Expenses

For the year ended March 31, 2020

	ISC Revenue	Other Revenue	Total Revenue	Total Expenses	Adjustments/ Transfers From (To)	Current Surplus (Deficit)	Prior Year Surplus (Deficit)
Band Operations	8,738,758	1,560,946	10,299,704	11,143,370	42,037	(301,629)	2,442,779
Chemawawin Otineka Business Corporation	-	31,464	31,464	58,465	-	(27,001)	(36,478)
Chemawawin Development Trust	-	838,649	838,649	122,687	-	715,962	741,878
Chemawawin Resource Trust	-	12,847	12,847	2,225	-	10,622	10,576
CCN School Inc.	9,812,207	413,968	10,226,175	7,048,266	-	3,177,909	667,586
Chemawawin Housing Authority	-	894,180	894,180	856,772	166,259	203,667	536,585
Chemawawin Service Centre	-	-	-	6,484	-	(6,484)	(6,149)
Chemawawin Health Authority	-	4,065,221	4,065,221	3,349,857	(18,000)	697,364	421,406
Chemawawin Economic Development Inc.	-	1,734,284	1,734,284	1,518,771	(190,296)	25,217	1,034
CCN Communications	-	139,924	139,924	172,813	-	(32,889)	39,399
4216083 MB Ltd.	-	-	-	12,171	-	(12,171)	(12,738)
Chemawawin Gaming Commission	-	646,701	646,701	503,186	-	143,515	66,992
Total	18,550,965	10,338,184	28,889,149	24,795,067	-	4,094,082	4,872,870