

**War Lake First Nation**  
**Consolidated Financial Statements**  
*March 31, 2021*

# War Lake First Nation Contents

For the year ended March 31, 2021

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	Page
<b>Management's Responsibility</b>	
<b>Independent Auditors' Report</b>	
<b>Consolidated Financial Statements</b>	
Consolidated Statement of Financial Position .....	1
Consolidated Statement of Operations and Accumulated Surplus.....	2
Consolidated Statement of Change in Net Debt.....	3
Consolidated Statement of Cash Flows.....	4
<b>Notes to the Consolidated Financial Statements</b> .....	5
Schedule 1 - Consolidated Schedule of Expenses by Object.....	16
Schedule 2 - Consolidated Summary Schedule of Segment Revenue and Expenses.....	17
Schedule 3 - First Nations Management.....	18
Schedule 4 - Social Assistance.....	19
Schedule 5 - Economic Development.....	20
Schedule 6 - Hydro Development - Keeyask Project.....	21
Schedule 7 - Health Services.....	22
Schedule 8 - Operating Programs.....	23
Schedule 9 - Public Works.....	24
Schedule 10 - Capital.....	25
Schedule 11 - War Lake Convenience Store Ltd.....	26
Schedule 12 - CMHC Housing Operations .....	27
Schedule 13 - War Lake First Nation Hydro Trust Funds.....	28

## Management's Responsibility

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To the Chief and Council and Members of War Lake First Nation:

The accompanying consolidated financial statements of War Lake First Nation (the "First Nation") are the responsibility of management and have been approved by the Chief and Council.

Management is responsible for the preparation and fair 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 policies 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 War Lake First Nation Chief and Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the consolidated financial statements. The Chief and Council fulfil these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Chief and Council is also responsible for recommending the appointment of the First Nation's external auditors.

MNP LLP, an independent firm of Chartered Professional Accountants, is appointed by the Chief and Council 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 Chief and Council and management to discuss their audit findings.



Band Administrator

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## Independent Auditor's Report

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To the Members of War Lake First Nation:

### Qualified Opinion

We have audited the consolidated financial statements of War Lake First Nation (the "First Nation"), which comprise the consolidated statement of financial position as at March 31, 2021, and the consolidated statements of operations and accumulated surplus, changes in net debt and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the First Nation as at March 31, 2021, and the results of its consolidated operations, changes in its consolidated net debt and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### Basis for Qualified Opinion

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

Inventory consists of merchandise and fuel purchased for resale at the War Lake Convenience Store Ltd., which is owned by the First Nation. We did not observe the inventory count at the beginning of the year and alternative means did not provide us with the necessary assurance concerning the quantity on hand or the cost of inventory. As a result, we were unable to determine whether any adjustments are required to inventory, expenses, annual surplus, accumulated surplus, net debt and cash provided from operations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit 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 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.

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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 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.

Winnipeg, Manitoba

May 31, 2022

*MNP LLP*

Chartered Professional Accountants

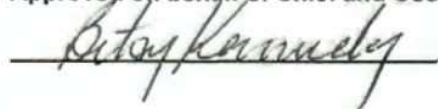
# War Lake First Nation

## Consolidated Statement of Financial Position

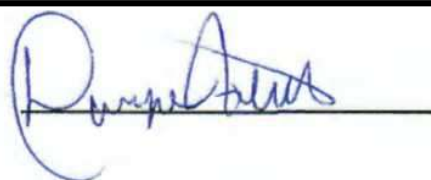
As at March 31, 2021

	2021	2020 (Restated)
<b>Financial assets</b>		
Cash and cash equivalents	3,185,822	1,453,912
Accounts receivable (Note 3)	1,608,920	3,081,745
Portfolio investments (Note 4)	60,064	60,064
Inventory for resale (Note 5)	115,716	95,151
Restricted cash and trust funds (Note 6)	207,534	163,596
	<b>5,178,056</b>	<b>4,854,468</b>
<b>Liabilities</b>		
Accounts payable and accruals (Note 7)	1,048,402	677,832
Deferred revenue (Note 8)	3,899,433	3,589,629
Due to related party (Note 9)	199,332	207,144
Advances (Note 10)	150,000	150,000
Long-term debt (Note 11)	1,358,994	1,160,150
Capital lease obligation (Note 12)	61,116	87,114
	<b>6,717,277</b>	<b>5,871,869</b>
<b>Net debt</b>	<b>(1,539,221)</b>	<b>(1,017,401)</b>
<b>Contingent liabilities</b> (Note 18)		
<b>Non-financial assets</b>		
Tangible capital assets (Note 13)	13,556,081	12,551,880
Prepaid expenses (Note 14)	22,564	23,663
	<b>13,578,645</b>	<b>12,575,543</b>
<b>Accumulated surplus</b> (Note 15)	<b>12,039,424</b>	<b>11,558,142</b>

Approved on behalf of Chief and Council



Chief



Councillor

**War Lake First Nation**  
**Consolidated Statement of Operations and Accumulated Surplus**  
*For the year ended March 31, 2021*

	<i>Schedules</i>	<b>2021 Budget</b>	<b>2021</b>	<i>2020 (Restated)</i>
<b>Revenue</b>				
Indigenous Services Canada (Note 16)		7,048,706	6,467,697	7,185,192
Other		1,758,838	3,188,396	3,489,220
Canada Mortgage and Housing Corporation		587,434	91,011	65,150
Solicitor General		99,337	59,788	73,765
Interest income		-	488	-
Province of Manitoba		179,622	184,527	177,559
Deferred revenue - prior year		3,494,298	3,589,629	2,675,380
Cancellation of deferred revenue		-	(2,006,674)	-
Deferred revenue - current year		(599,455)	(3,899,433)	(3,589,629)
		<b>12,568,780</b>	<b>7,675,429</b>	<b>10,076,637</b>
<b>Segment expenses</b>				
First Nation Management	3	1,686,766	1,742,429	1,634,695
Social Assistance	4	301,457	225,697	221,023
Economic Development	5	27,821	54,064	27,821
Hydro Development - Keeyask Project	6	79,190	71,897	75,428
Health Services	7	2,001,550	709,567	580,259
Operating Programs	8	1,886,022	1,638,980	1,613,308
Public Works	9	308,464	296,511	269,854
Capital	10	6,920,127	701,873	281,246
War Lake Convenience Store Ltd.	11	-	857,270	739,978
CMHC Housing Operations	12	117,150	153,136	123,698
War Lake First Nation Hydro Trust Funds	13	-	742,723	1,048,739
		<b>13,328,547</b>	<b>7,194,147</b>	<b>6,616,049</b>
<b>Surplus (deficit)</b>		<b>(759,767)</b>	<b>481,282</b>	<b>3,460,588</b>
<b>Accumulated surplus, beginning of year</b>		<b>11,558,142</b>	<b>11,558,142</b>	<b>8,097,554</b>
<b>Accumulated surplus, end of year</b>		<b>10,798,375</b>	<b>12,039,424</b>	<b>11,558,142</b>

**War Lake First Nation**  
**Consolidated Statement of Changes in Net Debt**  
*For the year ended March 31, 2021*

	<i>2021 Budget</i>	<i>2021</i>	<i>2020</i>
<b>Annual surplus</b>	<b>(759,767)</b>	<b>481,282</b>	3,460,588
Purchases of tangible capital assets	-	<b>(1,821,923)</b>	(4,263,199)
Amortization of tangible capital assets	<b>851,571</b>	<b>817,722</b>	834,534
Change in prepaid expenses	-	<b>1,099</b>	(8,639)
<b>(Increase) decrease in net debt</b>	<b>91,804</b>	<b>(521,820)</b>	23,284
<b>Net debt, beginning of year</b>	<b>(1,017,401)</b>	<b>(1,017,401)</b>	(1,040,685)
<b>Net debt, end of year</b>	<b>(925,597)</b>	<b>(1,539,221)</b>	(1,017,401)



**War Lake First Nation**  
**Consolidated Statement of Cash Flows**  
*For the year ended March 31, 2021*

	2021	2020
<b>Cash provided by (used for) the following activities</b>		
<b>Operating activities</b>		
Surplus (deficit)	481,282	3,460,588
Non-cash items		
Amortization	817,722	834,534
	1,299,004	4,295,122
Changes in working capital accounts		
Accounts receivable	1,472,825	212,319
Inventory for resale	(20,565)	(38,648)
Accounts payable and accruals	370,570	9,641
Deferred revenue	309,804	559,249
Prepaid expenses	1,099	(8,639)
	3,432,737	5,029,044
<b>Financing activities</b>		
Change in amounts due to related party	(7,812)	(18,767)
Advances of long term debt	350,809	-
Repayment of long-term debt	(151,965)	(201,221)
Repayment of capital lease obligation	(25,998)	(21,625)
	165,034	(241,613)
<b>Capital activity</b>		
Purchases of tangible capital assets	(1,821,923)	(4,263,199)
<b>Investing activity</b>		
Restricted cash and trust funds	(43,938)	48,243
<b>Increase in cash resources</b>	1,731,910	572,475
<b>Cash resources, beginning of year</b>	1,453,912	881,437
<b>Cash resources, end of year</b>	3,185,822	1,453,912

**1. Operations**

War Lake First Nation (the "First Nation") is located in the Province of Manitoba, and provides various services to its Members. War Lake First Nation includes the First Nation government and all related entities that 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 including the following significant accounting policies:

***Reporting entity***

The War Lake First Nation reporting entity includes the First Nation government and all related enterprises that are accountable to the First Nation and are either owned or controlled by the First Nation. The financial statements consolidate the financial activities of all entities and departments comprising the First Nation reporting entity, except for First Nation business entities.

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

- War Lake Administration
- War Lake Social Services
- War Lake Hydro Trust Funds
- War Lake Convenience Store Ltd.

All inter-entity balances have been eliminated on consolidation.

***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.

***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.

***Portfolio investments***

Investments in entities that are not owned, controlled or influenced by the First Nation reporting entity are accounted for using the cost method. They are recorded at cost, less any provision for other than temporary impairment.

***Inventory for resale***

Inventory for resale is valued at the lower of cost and net realizable value. Cost is determined on the following basis:

Petroleum products	- Average cost
Confectionery and snacks	- Percentage of costs based on normal mark-up percentage

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

***Tangible capital assets***

Tangible capital assets include acquired, built, developed and improved tangible capital assets, whose useful life extends beyond one year and which are intended to be used on an ongoing basis for producing goods and delivering services. Assets under construction are not amortized until the asset is available to be put into service.

Tangible capital assets are initially recorded at cost based on historical cost accounting records. Contributed tangible capital assets are recorded at their fair value at the date of contribution.

***Amortization***

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

	<b><i>Rate</i></b>
Buildings	4 %
Infrastructure	4 %
Vehicles	20 %
Equipment	10 - 20 %
CMHC Housing	4 %

***Capital lease***

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 the present value of the minimum lease payments. Assets under capital leases are amortized over their estimated useful lives. All other leases are accounted for as operating leases and rental payments are expensed as incurred.

***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 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, exceeds the value of future economic benefits associated with the asset.

Impairment is measured as the amount by which the assets carrying amount exceeds its residual value of the assets service potential to the First Nation. Any impairment is included in operations for the year.

***Funds held in 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 consolidated statement of financial position with an offsetting amount in accumulated surplus. Trust moneys 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.

***Net debt***

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

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

**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 and prepaid expenses.

**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 site when contamination exceeding an environmental standard exists, the First 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, 2021.

At each financial reporting date, the First 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 First 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.

**Revenue recognition**

Government transfer revenue, including, but not limited to, Indigenous Services Canada, Health Canada, Province of Manitoba and Canada Mortgage and Housing Corporation funding is recognized as the funding becomes receivable under the terms of applicable funding agreements. Funding received under the funding arrangements that relate to a subsequent fiscal period is reflected as deferred revenue on the consolidated statement of financial position in the year of receipt, and is matched with related department expenses in the year of their occurrence. Funding that is restricted for particular purposes is deferred and recognized when the eligible expenses have been incurred.

The First 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 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 for amounts designated as unlikely to be collected.

Investment and interest revenue is recognized on an accrual basis in the year that it is earned.

All other types of revenue are recognized by the First Nation when the services are provided or the goods are shipped and collectability is reasonably assured.

**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 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. Provisions are made for slow moving and obsolete inventory. Amortization is based on the estimated useful lives of tangible capital assets. Deferred revenue is recorded based on management's analysis of the extent to which eligibility requirements have been met on government transfer revenue.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in the consolidated statement of operations in the year in which they become known.

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

**Segments**

The First Nation conducts its business through eleven reportable segments listed below. 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.

- **First Nation Management** - activities include the governance function relating to decisions that define expectations, grant power or verify performance.
- **Social Assistance/Social Services** - activities include satisfying the economic, social or health related needs of members of the community who require assistance.
- **Economic Development** - activities include researching and accessing government funding.
- **Hydro Development** - maintaining office close to Manitoba Hydro head office for communication purposes related to the Keeyask project.
- **Health Services** - deliver health services to the First Nation.
- **Operating Programs** - activities include the planning, managing and delivery of various projects/programs involving various programs such as education, employment, infrastructure, repairs and maintenance and training.
- **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.
- **Capital** - activities include the planning, managing and delivery of large scale infrastructure and capital projects to the community.
- **CMHC Housing Operations** - activities include the management and maintenance of CMHC houses for community members.
- **War Lake First Nation Hydro Trust Funds** - include Ottawa Trust funds held in trust by Government of Canada for the First Nation members and War Lake First Nation Hydro Trust Funds which are available to members for discussion and negotiations with Manitoba Hydro involving environmental issues as a result of adverse effects due to the construction of a hydro dam and include travel expenses.
- **War Lake Convenience Store Ltd.** - operates a convenience store with Video Lottery Terminals onsite.

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 to the consolidated financial statements.

**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 pension plans are expensed as incurred.

**War Lake First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2021*

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

**Financial instruments**

The First Nation recognizes its financial instruments when the First Nation becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at fair value.

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 all financial instruments at amortized cost using the effective interest rate method. Transaction costs directly attributable to the origination, acquisition, issuance or assumption of financial instruments are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

All financial assets are tested annually for impairment. Management considers all available information 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 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.

**3. Accounts receivable**

	2021	2020
Trade accounts receivable	1,061,546	881,254
Indigenous Services Canada	647,784	2,032,564
CMHC subsidy assistance receivable	5,395	5,429
Members	49,418	55,568
War Lake Convenience Store Ltd. - Trade accounts receivable	75,328	168,687
	1,839,471	3,143,502
Allowance for doubtful accounts	230,551	61,757
	1,608,920	3,081,745

The allowance for doubtful accounts pertains to trade receivables and members.

**4. Portfolio investments**

	2021	2020
Mississippi Rail Limited Partnership	4	4
Keewatin Railway Corporation	60,012	60,012
Cree Nation Partners Limited Partnership #1	16	16
Cree Nation Partners Limited Partnership #2	16	16
Cree Nation Partners Limited Partnership #3	16	16
	60,064	60,064

**5. Inventory for resale**

	2021	2020
War Lake Convenience Store Ltd.	115,716	95,151

Inventory consists of merchandise and fuel purchased for resale by War Lake Convenience Store Ltd.

**War Lake First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2021*

**6. Restricted cash and trust funds**

Restricted cash is subject to the restrictions imposed upon by outside parties and can only be used for purposes specified.

	2021	2020
Ottawa Trust Funds	77	77
War Lake Hydro Trust	108,877	65,429
CMHC replacement reserve	98,580	98,090
	<b>207,534</b>	<b>163,596</b>

**Ottawa Trust Funds**

The Ottawa trust accounts arise from monies derived from capital or revenue sources as outlined in Section 62 of the Indian act. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada and are subject to audit by the Office of the Auditor General of Canada. The management of these funds is primarily governed by sections 63 to 69 of the Indian Act. Revenue from the Ottawa Trust Fund is recognized in the year in which it is earned when it is measurable and collection is reasonably assured. Capital and revenue trust monies are transferred to the First Nation on the authorization of the Minister of Indigenous Services Canada, with the consent of the First Nation's Chief and Council. Ottawa Trust Funds consist of the Capital trust in the amount of \$2 (2020 - \$2) and the Revenue trust in the amount of \$75 (2020 - \$75). Interest earned on the Ottawa Trust Funds totaled \$nil (2020 - \$1).

**War Lake Hydro Trust**

War Lake Hydro Trust in trust for War Lake First Nation was established to monitor and account for the financial contributions made by Manitoba Hydro towards expenses incurred by War Lake First Nation involving negotiations and environmental issue concerns arising from the Keeyask Hydro Electric development at the Keeyask Rapids on the Nelson River.

**CMHC replacement reserve**

As required as part of the First Nation's Canada Mortgage and Housing Corporation ("CMHC") housing program, a separate bank account has been established for replacement of capital equipment and for major repairs to the houses. Under the terms of the agreements with CMHC, the replacement reserve must either be held in a separate bank account or invested in accounts or instruments secured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time. At March 31, 2021, the replacement reserve bank account is fully funded (2020 - fully funded).

**Operating reserve**

The First Nations's CMHC Housing Program receives funding pursuant to the Post 1997 - Fixed Subsidy Program. Any surpluses are externally restricted and reserved for future operating losses that relate to the operation of houses under this Program. These funds, along with accumulated interest, must be held in a separate bank account. Currently the reserve is \$nil (2020 - \$nil).

**7. Accounts payable and accruals**

	2021	2020
Indigenous Services Canada	25,346	-
Trade payables	1,023,056	677,832
	<b>1,048,402</b>	<b>677,832</b>



**War Lake First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2021*

**8. Deferred revenue**

	2021	2020
Indigenous Services Canada - Basic Needs	67,014	-
Indigenous Services Canada - Brighter Futures	-	2,787
Indigenous Services Canada - Building Healthy Communities	131,103	26,839
Indigenous Services Canada - COVID Response	26,249	-
Indigenous Services Canada - COVID Safe Re-opening	52,919	-
Indigenous Services Canada - Solvent Abuse	-	2,742
Indigenous Services Canada - Prenatal Nutrition	20,967	4,977
Indigenous Services Canada - Home and Community Care	46,468	33,678
Indigenous Services Canada - Health Management	35,184	-
Indigenous Services Canada - Drinking Water Safety Program	-	1,371
Indigenous Services Canada - Community Health Promotion	-	13,409
Indigenous Services Canada - National Native Alcohol and Drug Program	-	13,655
Indigenous Services Canada - Aboriginal Diabetes Initiative	28,444	22,495
Indigenous Services Canada - Jordan's Principle	494,902	714,157
Indigenous Services Canada - Communicable Disease Emergency Planning	78,738	4,761
Indigenous Services Canada - Provincial School Transportation	187,822	89,228
Indigenous Services Canada - Lagoon Project	1,502,784	2,006,674
Indigenous Services Canada - Major Renovations/Repairs	801,523	538,856
Indigenous Services Canada - Provincial School Targeted HCSE	-	2,850
Keewatin Tribal Council - Daycare	286,021	53,689
Assembly of Manitoba Chiefs - Childcare Initiative	-	57,461
Manitoba Hydro - Bi-Pole III	41,285	-
Manitoba Hydro - Keeyask Adverse Effects	98,010	-
	<b>3,899,433</b>	<b>3,589,629</b>

**9. Due to related party**

The amount is due to Mooseocoot Trust, a trust set up for the benefit of the War Lake First Nation members. The balance has no set terms of repayment, are measured at their exchange amount and is unsecured and non-interest bearing. During the year, the First Nation paid professional fees totalling \$7,812 (2020 - \$25,327) on behalf of Mooseocoot Trust. These costs are included in the consolidated statement of operations in the Operating Programs segment.

**10. Advances**

Advances consist of amounts received from Manitoba Hydro in the amount of \$150,000 (2020 - \$150,000) related to negotiations for Past Adverse Effects. The advances are non-interest bearing and due on demand.



**War Lake First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2021*

**11. Long-term debt**

	<b>2021</b>	<b>2020</b>
Mortgage loan advance, bearing interest at 0.69%, requires no payment of interest or principal until the project is complete and the advance is converted into a mortgage. (*)	<b>350,809</b>	-
CMHC mortgage repayable in monthly payments of \$1,538 per month including interest at 0.96% per annum, maturing January 2035 with the next scheduled renewal in March 2026, secured by a Ministerial guarantee and assignment of fire insurance for a two-unit rental housing project. Remaining amount undisbursed at year end is \$157,610.	<b>239,005</b>	255,259
CMHC mortgage repayable in monthly payments of \$1,235 per month including interest at 0.96% per annum, maturing February 2035 with the next scheduled renewal in March 2026, secured by a Ministerial guarantee and assignment of fire insurance for a two-unit rental housing project.	<b>192,992</b>	206,034
CMHC mortgage repayable in monthly payments of \$1,827 per month including interest at 2.70% per annum, maturing February 2038 with the next scheduled renewal in November 2023, secured by a Ministerial guarantee and assignment of fire insurance for a two-unit rental housing project.	<b>297,812</b>	311,559
CMHC mortgage repayable in monthly payments of \$924 per month including interest at 1.03% per annum, maturing November 2041 with the next scheduled renewal in November 2021, secured by a Ministerial guarantee and assignment of fire insurance for a four-unit rental housing project. (**)	<b>206,376</b>	215,298
Fox River Camp loan, unsecured, due on demand without interest.	<b>72,000</b>	172,000
	<b>1,358,994</b>	1,160,150

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:

2022	125,247
2023	53,922
2024	54,606
2025	55,299
2026	56,001
Thereafter	1,013,919

(\*) Subsequent to year end, the loan advanced from CMHC to the First Nation was converted to a loan. The loan amount is \$508,419 while the interest rate is 1.12%. The loan is repayable in monthly payments of \$1,930 beginning on November 1, 2021 and maturing November 2046.

(\*\*) A renewal of a loan occurred subsequent to year end. Previously monthly payments were \$924 per month with interest at 1.03% per annum. The CMHC mortgage is now repayable in monthly payments of \$967 per month including interest at 1.51% per annum, maturing November 2041 with the next scheduled renewal in November 2026.

**War Lake First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2021*

**12. Capital lease obligation**

	2021	2020
Obligation under capital lease repayable in monthly payments of \$2,322 including interest at 4.99% per annum, due August 21, 2023, with a 2018 John Deere 524KXDW loader having a net book value of \$169,036 pledged as collateral.	<b>61,116</b>	87,114

The First Nation has the option to buy the Loader for \$1 when the lease expires.

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

2022	27,858
2023	27,858
2024	9,286
	<u>65,002</u>
Less: imputed interest	3,886
	<u>61,116</u>
Balance of obligation	61,116
Less: current portion	25,296
	<u>35,820</u>

**13. Tangible capital assets**

	<i>Cost</i>	<i>Additions</i>	<i>Disposals</i>	<i>Accumulated amortization</i>	<i>2021 Net book value</i>
Land	33,000	-	-	-	33,000
Buildings	5,189,972	-	-	3,317,018	1,872,954
Infrastructure	6,692,603	-	-	2,278,433	4,414,170
Vehicles	592,572	300,291	-	567,942	324,921
Equipment	2,203,543	542,524	-	1,569,489	1,176,578
CMHC Housing	1,507,339	-	-	720,037	787,302
Assets under construction	3,968,048	979,108	-	-	4,947,156
	<u>20,187,077</u>	<u>1,821,923</u>	<u>-</u>	<u>8,452,919</u>	<u>13,556,081</u>

	<i>Cost</i>	<i>Additions</i>	<i>Disposals</i>	<i>Accumulated amortization</i>	<i>2020 Net book value</i>
Land	33,000	-	-	-	33,000
Buildings	5,134,506	55,466	-	3,163,259	2,026,713
Infrastructure	6,692,603	-	-	2,018,329	4,674,274
Vehicles	546,278	46,290	-	455,239	137,329
Equipment	2,010,149	193,395	-	1,338,627	864,917
CMHC Housing	1,507,342	-	-	659,743	847,599
Assets under construction	-	3,968,048	-	-	3,968,048
	<u>15,923,878</u>	<u>4,263,199</u>	<u>-</u>	<u>7,635,197</u>	<u>12,551,880</u>

**War Lake First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2021*

**13. Tangible capital assets** *(Continued from previous page)*

Included in current year additions of \$1,821,923 are \$437,108 (2020 - \$3,968,048) of assets under construction related to the Lagoon Project and \$542,000 (2020 - \$nil) of assets under construction related to CMHC housing.

Amortization expense of \$817,722 (2020 - \$834,534) was recorded in the consolidated statement of operations. Total amortization expense comprises \$153,759 amortization for buildings (2020 - \$207,600), \$260,104 for infrastructure (2020 - \$267,704), \$112,703 for vehicles (2020 - \$80,163), \$230,862 for equipment (2020 - \$218,772), and \$60,294 for CMHC Housing (2020 - \$60,295).

**14. Prepaid expenses**

	2021	2020
Insurance	22,564	23,663

**15. Accumulated surplus**

Accumulated surplus consists of the following:

	2021	2020
Investment in tangible capital assets	11,757,023	11,304,616
Unrestricted accumulated surplus	229,125	174,889
Ottawa Trust Funds	77	77
CMHC replacement reserve - required balance	53,199	78,560
	12,039,424	11,558,142

**16. Indigenous Services Canada funding**

	2021	2020
Indigenous Services Canada confirmation balance	6,467,697	7,210,843
Surplus reimbursements (recoveries)	-	(25,651)
Indigenous Services Canada per consolidated financial statements	6,467,697	7,185,192

**17. Economic dependence**

War Lake First Nation receives the majority of its revenue from Indigenous Services Canada ("ISC") and Health Canada 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.

**18. Contingent liabilities**

The First Nation is subject to funding recoveries according to their agreements with federal government agencies. These federal government agencies may disallow certain expenses, deeming them to be ineligible. Adjustments, if any, for disallowed expenses will be accounted for in the year of determination. The First Nation has not yet determined to what extent any further funding amounts related to the year ended March 31, 2021 might be recovered.

**19. Provision for site rehabilitation**

The Manitoba Environmental Protection Act sets out the regulatory requirements to properly close and maintain active and inactive lagoon and landfill sites. Under environmental law, there is a requirement for closure and post-closure care of solid waste lagoon and landfill sites including covering and landscaping and 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 First Nation is bound by environmental laws of the Manitoba Environmental Protection Act was not determinable, and therefore, no liability has been recorded in these consolidated financial statements.

**20. Budget information**

The disclosed budget information has been approved by the Chief and Council of the War Lake First Nation on October 10, 2020.

**21. First Nations Financial Transparency and Accountability Act**

The First Nation is required by the First Nations Financial Transparency and Accountability Act to post its consolidated financial statements on a website and submit the consolidated financial statements to Indigenous Services Canada by July 31, 2021. As the audit report date is dated after this date, the First Nation is not in compliance with this requirement. The possible effect of this non-compliance has not yet been determined.

**22. Significant event**

During the prior fiscal year, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses 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. While the extent of the impact is unknown, we anticipate this outbreak may cause reduced customer demand, supply chain disruptions, staff shortages, and increased government regulations, all of which may negatively impact the First Nation's financial condition.

**23. Comparative figures**

Certain comparative figures have been reclassified to conform with current year's presentation.

**War Lake First Nation**  
**Schedule 1 - Consolidated Schedule of Expenses by Object**  
*For the year ended March 31, 2021*

	<i>2021 Budget</i>	<i>2021</i>	<i>2020</i>
<b>Consolidated expenses by object</b>			
Administration	3,600	16,524	21,122
Amortization	851,571	817,722	834,534
Audit fees	97,700	100,909	103,411
Bad debts	-	168,694	26,178
Bank charges and interest	11,150	11,089	17,882
Board travel, training and honouraria	19,000	18,831	18,566
Chief and Council	99,679	95,953	101,429
Commissions	-	592	6,427
Community donations	-	-	6,001
Community events	209,000	261,127	291,104
Consulting	4,021,781	661,790	744,883
Fuel	56,543	172,302	79,268
Furniture and equipment	1,106,925	56,879	74,839
Honouraria	-	25,000	32,500
Insurance	115,891	141,218	118,221
Interest on long-term debt	16,212	17,747	23,300
Meeting	3,500	599	3,431
Miscellaneous	-	(4,639)	8,825
Office equipment lease	3,360	3,500	2,415
Office rent	27,600	21,120	37,600
Office supplies and expenses	238,723	93,662	104,793
Pension	3,000	8,865	7,739
Freight and postage	3,064	40,262	-
Professional fees	139,422	231,183	231,561
Program education	121,325	49,071	42,900
Program expense	193,485	159,717	69,713
Purchases	-	599,358	515,421
Renovations	17,772	3,571	9,166
Rent	103,984	200,058	77,467
Repairs and maintenance	2,970,340	609,238	285,040
Salaries and benefits	1,163,098	1,435,196	1,111,098
Social assistance	140,359	97,622	118,136
Special projects	70,774	48,000	200
Supplies	223,885	57,801	42,722
Telephone	57,722	51,763	61,217
Training	38,932	7,488	35,357
Transportation	148,822	28,174	53,293
Travel	185,687	88,028	465,668
Tuition costs	403,531	645,767	682,051
Utilities	104,360	89,921	94,295
Vehicle	356,750	62,445	56,276
	<b>13,328,547</b>	<b>7,194,147</b>	<b>6,616,049</b>

**War Lake First Nation**  
**Schedule 2 - Consolidated Summary Schedule of Segment Revenue and Expenses**  
*For the year ended March 31, 2021*

	<b>Total Revenue</b>	<b>Total Expenses</b>	<b>Transfers From (To)</b>	<b>Current Surplus (Deficit)</b>	<b>2020 Surplus (Deficit)</b>
<b>Operations</b>					
First Nation Management	932,552	1,742,429	(53,645)	(863,522)	(765,583)
Social Assistance	222,775	225,697	-	(2,922)	(12,743)
Economic Development	54,064	54,064	-	-	-
Hydro Development - Keeyask Project	66,688	71,897	-	(5,209)	(6,000)
Health Services	1,362,982	709,567	-	653,415	5,388
Operating Programs	1,930,973	1,638,980	(59,859)	232,134	261,732
Public Works	170,806	296,511	74,825	(50,880)	88,784
Capital	1,292,856	701,873	-	590,983	3,947,946
War Lake Convenience Store Ltd.	818,244	857,270	-	(39,026)	(49,255)
CMHC Housing Operations	80,766	153,136	38,679	(33,691)	(9,681)
War Lake First Nation Hydro Trust Funds	742,723	742,723	-	-	-
<b>Total</b>	<b>7,675,429</b>	<b>7,194,147</b>	<b>-</b>	<b>481,282</b>	<b>3,460,588</b>