

**Muscowpetung First Nation  
Consolidated  
Financial Statements  
For the year ended March 31, 2020**

# **Muscowpetung First Nation**

## **Consolidated Financial Statements**

**For the year ended March 31, 2020**

	<b>Contents</b>
<b>Management's Responsibility for Financial Reporting</b>	<b>2</b>
<b>Independent Auditor's Report</b>	<b>3</b>
Consolidated Statement of Financial Position	<b>6</b>
Consolidated Statement of Changes in Net Financial Assets	<b>7</b>
Consolidated Statement of Operations	<b>8</b>
Consolidated Statement of Cash Flows	<b>9</b>
Notes to Financial Statements	<b>10</b>

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## Management's Responsibility for Financial Reporting

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The accompanying financial statements of Muscowpetung First Nation and all the information in this annual report are the responsibility of management and have been approved by the Chief on behalf of the Chief and Council.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances in order to ensure that the financial statements are presented fairly in all material respects.

The First Nation maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the First Nation's assets are appropriately accounted for and adequately safeguarded.

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

The Chief and Council reviews and approves the First Nation's financial statements. The Chief and Council meet periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities and to review the annual report, the financial statements and the external auditor's report. The Chief and Council also consider the engagement of the external auditors.

The financial statements have been audited by BDO Canada LLP in accordance with Canadian generally accepted auditing standards on behalf of the members. BDO Canada LLP have full and free access to the Chief and Council.

  
Chief \_\_\_\_\_



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## Independent Auditor's Report

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### To the Directors of Muscowpetung First Nation

#### Opinion

We have audited the accompanying consolidated financial statements of Muscowpetung First Nation (the First Nation), which comprise the consolidated statement of financial position as at March 31, 2020, and the consolidated statements of operations, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the First Nation as at March 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

#### Basis for Opinion

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

#### Emphasis of Matter - Restated Comparative Information

Without modifying our opinion we draw attention to Note 23 of the financial statements, which describes that certain comparative financial information presented for the year ended March 31, 2019 has been restated.

The financial statements for the year ended March 31, 2019 (prior to the adjustments that were applied to restate certain comparative information explained in Note 23) were audited by another auditor who expressed an unmodified opinion on those financial statements on October 15, 2019. Our opinion is not modified in respect of this matter.

As part of our audit of the financial statements for the year ended March 31, 2020, we also audited the adjustments applied to restate certain comparative information presented. In our opinion, such adjustments are appropriate and have been properly applied. Other than with respect to the adjustments that were applied to restate certain comparative information, we were not engaged to audit, review or apply any procedures to the financial statements for the year ended March 31, 2019. Accordingly we do not express an opinion or any other form of assurance on those financial statements taken as a whole.

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

Management is responsible for the preparation and fair presentation of these 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 Responsibility 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 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.

*BDO Canada LLP*

Chartered Professional Accountants

Brandon, Manitoba  
June 18, 2021

# Muscowpetung First Nation

## Consolidated Statement of Financial Position

**March 31** **2020** **2019**

### Financial Assets

Cash and short term investments (Note 2)	\$ -	\$ 416,730
Restricted cash (Note 2)	1,045,683	1,168,409
Trust funds - I.S.C. (Note 3)	6,706	6,706
Accounts receivable (Note 4)	328,356	2,601,366
Investments in government business enterprises (Note 6)	246,537	140,922
Due from related parties (Note 7)	49,927	180,894
Muscowpetung Legacy Trust (Note 14)		
(Market value of \$35,041,865 (2019 - \$31,761,998))	<u>29,841,265</u>	<u>29,907,402</u>
	<u>31,518,474</u>	<u>34,422,429</u>

### Liabilities

Bank indebtedness (Note 2, 9)	316,213	-
Accounts payable (Note 10)	595,180	765,699
Deferred revenue (Note 12)	2,343,255	1,145,081
Long-term debt (Note 11)	<u>15,685,032</u>	<u>15,423,512</u>
	<u>18,939,680</u>	<u>17,334,292</u>

### Net Financial Assets

12,578,794 17,088,137



### Non-Financial Assets

Tangible capital assets (Note 8)	6,508,526	5,400,037
Prepaid expenses	117,364	142,206
Long-term investment (Note 5)	<u>390,000</u>	<u>60,000</u>
	<u>7,015,890</u>	<u>5,602,243</u>

### Accumulated Surplus

\$ 19,594,684 \$ 22,690,380

On behalf of the Chief and Council:

 _____ Chief		 _____ Councilor
 _____ Councilor		 _____ Councilor
 _____ Councilor		 _____ Councilor

## Muscowpetung First Nation Consolidated Statement of Changes in Net Financial Assets

For the year ended March 31	Budget	2020	2019
Annual surplus (deficit)	\$ -	\$ (3,095,695)	\$ 1,266,668
Acquisition of tangible capital assets	-	(1,595,877)	(861,268)
Amortization of tangible capital assets	-	487,387	411,103
Use of prepaid expenses	-	(4,204,185) 24,842	816,503 (142,207)
Purchase of long-term investment	-	(330,000)	(60,000)
<b>Change in net financial assets</b>	-	(4,509,343)	614,296
<b>Net financial assets, beginning of year</b>	-	17,088,137	16,473,841
<b>Net financial assets, end of year</b>	\$ -	\$ 12,578,794	\$ 17,088,137



## Muscowpetung First Nation Consolidation Statement of Operations

For the year ended March 31	Budget	2020	2019
<b>Revenue</b>			
I.S.C.	\$ 3,085,842	\$ 4,858,010	\$ 3,993,022
Health Canada	417,667	753,160	395,989
QBOW CFS	979,028	438,900	2,490,833
Economic development	-	51,129	-
FHQ Tribal Council	238,405	304,108	364,321
First Nations Trust	-	438,529	445,459
Community development	-	-	48,413
Living Sky Casino	-	21,525	22,038
Other revenue	751,651	523,736	578,479
Interest	2,600	10,807	9,587
Keseechiwan Holdings LP	-	60,000	60,000
CMHC	534,066	272,162	317,662
Equity pickup - related business entities	-	(11,921)	66,552
Deferred revenue	-	(1,198,174)	59,381
Muscowpetung Legacy Trust income (loss)	-	1,001,764	1,418,782
	<b>6,009,259</b>	<b>7,523,735</b>	<b>10,270,518</b>
<b>Expenditures</b>			
Band support/administration	1,685,282	3,897,025	3,261,393
Social	492,117	682,101	787,277
Education	1,712,176	2,087,916	1,856,677
Health	773,142	890,962	460,593
Housing	867,449	919,537	812,054
Land/community development	479,093	1,546,851	1,698,509
Economic development	-	595,038	127,347
	<b>6,009,259</b>	<b>10,619,430</b>	<b>9,003,850</b>
<b>Surplus (deficit) for year</b>	<b>\$ -</b>	<b>\$ (3,095,695)</b>	<b>\$ 1,266,668</b>

The accompanying notes are an integral part of these consolidated financial statements.

## Muscowpetung First Nation Consolidated Statement of Cash Flows

For the year ended March 31	2020	2019
		(Restated Note 14)
<b>Cash Flows from Operating Activities</b>		
Surplus (deficit) for the year	\$ (3,095,695)	\$ 1,266,668
Adjustments for		
Amortization of tangible capital assets	487,387	411,103
(Increase) decrease in Muscowpetung Legacy Trust	(1,001,764)	(1,418,782)
	<u>(3,610,072)</u>	<u>258,989</u>
Changes in non-cash working capital balances		
Accounts receivable	2,273,010	(1,940,758)
Prepaid expenses	24,842	(52,147)
Accounts payable	(170,518)	91,415
Deferred revenue	1,198,174	(59,381)
Due to (from) related party	130,967	(180,894)
	<u>3,456,475</u>	<u>(2,141,765)</u>
	<u>(153,597)</u>	<u>(1,882,776)</u>
<b>Cash Flows from Capital Activities</b>		
Purchase of tangible capital assets	(1,595,877)	(861,268)
<b>Cash Flows from Financing Activities</b>		
Repayment of long-term debt	(1,102,124)	(1,953,962)
Proceeds of long-term debt	1,363,643	5,074,167
	<u>261,519</u>	<u>3,120,205</u>
<b>Cash Flows from Investing Activities</b>		
Trust funds held by federal government	-	(150)
Investment in related entity	(105,615)	(66,552)
Purchase of long-term investment	(330,000)	-
Net change in Muscowpetung Legacy Trust assets	1,067,901	306,664
	<u>632,286</u>	<u>239,962</u>
<b>Increase (decrease) in cash and cash equivalents during the year</b>	<b>(855,669)</b>	<b>616,123</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>1,585,139</b>	<b>969,016</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 729,470</b>	<b>\$ 1,585,139</b>
<b>Represented by</b>		
Cash and short-term investments	\$ -	\$ 416,730
Restricted cash	1,045,683	1,168,409
Bank indebtedness	(316,213)	-
	<u>\$ 729,470</u>	<u>\$ 1,585,139</u>

The accompanying notes are an integral part of these consolidated financial statements.

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## Muscowpetung First Nation

### Notes to Consolidated Financial Statements

**March 31, 2020**

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**1. Nature of Operations and Summary of Significant Accounting Policies**

<b>Nature of Operations</b>	Muscowpetung First Nation is a First Nation government that provides a wide range of services to the members of its community, and is subject to the provisions of the Indian Act. By its nature, the entity is non-taxable. The entity is governed by a board of elected Chief and Council.
<b>Basis of Presentation</b>	<p>These financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards, and include all organizations, operations and activities that are:</p> <ol style="list-style-type: none"><li>1) accountable for the administration of their financial affairs and resources directly to the First Nation; and</li><li>2) owned or controlled by the First Nation.</li></ol>
<b>Basis of Consolidation</b>	<p>All controlled entities are fully consolidated on a line-by-line basis except for the commercial enterprises which meet the definition of government business enterprise, which are included in the consolidated statements on a modified equity basis. Inter-organizational balances and transactions are eliminated upon consolidation.</p> <p>Organizations fully consolidated on a line-by-line basis include:</p> <ul style="list-style-type: none"><li>- Muscowpetung Saulteaux Business Developments</li><li>- Muscowpetung Legacy Trust</li></ul> <p>Under the modified equity method of accounting, only Muscowpetung First Nation's investment in the government business enterprise and the enterprise's net income and other charges in equity are recorded. No adjustment is made for accounting policies of the enterprise that are different from those of Muscowpetung First Nation.</p> <p>Organizations accounted for on a modified equity basis include:</p> <ul style="list-style-type: none"><li>- Muscowpetung Ki-Pih-Cheen and Mah-Jahn Convenience Store Inc. (Muscowpetung Stop &amp; Go Store)</li><li>- Mino Maskihki Cannabis Dispensary</li><li>- Muscowpetung Security Services</li></ul>
<b>Long-Term Investments</b>	Long-term investments are recorded at cost. Long-term investments are written down where there has been a loss in value that is other than a temporary decline.
<b>Tangible Capital Assets</b>	<p>Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to the acquisition, construction, development or betterment of the asset. The First Nation does not capitalize interest charges as part of the cost of its tangible capital assets.</p> <p>Certain assets which have historical or cultural value including works of art, historical documents as well as historical and cultural artifacts are not recognized as tangible capital assets because a reasonable estimate of the future benefits associated with such property cannot be made. Intangibles, Crown lands that have not been purchased by the First Nation, forests, water, and other natural resources are not recognized as tangible capital assets.</p>

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## Muscowpetung First Nation Notes to Consolidated Financial Statements

March 31, 2020

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### 1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Assets are amortized over their expected useful life at the following rates:

Buildings	25 years	Straight line
CMHC houses	25 years	Straight line
Vehicles	4 years	Straight line
Office equipment	3 years	Straight line
Store equipment	10 years	Straight line
Machinery and equipment	10 years	Straight line
Infrastructure assets	40 years	Straight line
Major housing renovations	10 years	Straight line

Tangible capital assets are written down when conditions indicate that they no longer contribute to the entity's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the statement of operations.

#### Revenue Recognition

Funding received under the terms of agreements are recognized as revenue when collection has been reasonably assured and the stipulations to earn the funding have been met. Other revenue is recognized when services are provided and collectibility is reasonably assured. Rental revenue is recognized when the rental space has been used and collectibility is reasonable assured.

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

#### Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principals requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. Estimates by management have been made in the following areas:

- Collectibility of receivables
- Useful life of capital assets; and
- Settlement amount of liabilities at year end.

# Muscowpetung First Nation

## Notes to Consolidated Financial Statements

**March 31, 2020**

### 1. Nature of Operations and Summary of Significant Accounting Policies (continued)

#### Trust Funds

Trust funds represent the Indian Monies Trust funds held by the Federal Government. These funds are administered by the Federal Government.

### 2. Cash and Short-term Investments

Under the terms of the agreement of Canada Mortgage and Housing Corporation (CMHC), the entity must set aside funds annually for the repair, maintenance and replacement of worn out assets. These funds are to be held in a separate bank account and invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as otherwise approved by CMHC from time to time, with any interest earned to be credited as revenue to the Replacement Reserve fund.

Cash received to complete capital projects is held in separate bank accounts or GICs.

Trust funds are held by the federal government for the First Nation.

	2020	2019
<b>General Bank Accounts</b>		
General	\$ (750,557)	\$ (816,543)
CMHC operating	307,665	238,083
Community development	856	914,448
Health	34,027	23,181
Social	(4,805)	(8,320)
MSBD	4,205	-
Economic development	-	10,004
Gaming	87,546	51,027
Stop & Go	4,850	4,850
	<u>(316,213)</u>	<u>416,730</u>
<b>Restricted Bank Accounts</b>		
CMHC reserve	44,592	31,504
CMHC term deposits	465,678	465,678
School feasibility	21,384	50,733
School capital	-	79,955
Flood repairs	334,760	332,933
Per capital distribution	179,269	207,606
	<u>1,045,683</u>	<u>1,168,409</u>
<b>Trust funds held by federal government</b>		
Trust funds (Note 3)	<u>6,706</u>	<u>6,706</u>
<b>Cash and short-term investments</b>	<u>\$ 736,176</u>	<u>\$ 1,591,845</u>

CMHC term deposits consist of 4 term deposits (2019 - 4) held with Peace Hills Trust. They bear interest at rates ranging from 1.75% - 2.65% (2019 - 1.75% - 2.65%) and mature between August and November 2020.

## Muscowpetung First Nation Notes to Consolidated Financial Statements

**March 31, 2020**

### 3. Trust Funds Held by Federal Government

Trust fund 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. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act.

	Opening Balance	Additions	Withdrawals	2020 Total	2019 Total
Revenue	1,931 \$	- \$	- \$	1,931 \$	1,931
Capital	4,775	-	-	4,775	4,775
<b>Fund Total</b>	<b>6,706 \$</b>	<b>- \$</b>	<b>- \$</b>	<b>6,706 \$</b>	<b>6,706</b>

### 4. Accounts Receivable

	2020	2019
ISC program funding	\$ 16,017	\$ 30,016
Health Canada program funding	46,500	11,500
FHQ Tribal Council	26,559	252,418
Living Sky CDC	39,269	25,698
QBOW CFS	-	2,149,763
CMHC	62,425	14,097
Social development	40,324	40,324
CMHC rent	103,921	103,921
GST	8,011	729
PST	4,545	-
Staff advances	72,341	-
Other	-	6,489
Allowance for doubtful accounts	(91,556)	(33,589)
	<b>\$ 328,356</b>	<b>\$ 2,601,366</b>

### 5. Long-term Investments

	2020	2019
Investment in Keseechiwan Holdings LP	\$ 60,000	\$ 60,000
Investment in Kief Cannabis Company	330,000	-
	<b>\$ 390,000</b>	<b>\$ 60,000</b>

## Muscowpetung First Nation

### Notes to Consolidated Financial Statements

**March 31, 2020**

#### 6. Investment in Government Business Enterprises

The entity owns 100% of Muscowpetung Ki-Pih-Cheen and Mah-Jahn Convenience Store Inc., which operates as Muscowpetung Stop & Go Store and functions as a gas bar and convenience store.

The entity owns 100% of 101291988 Saskatchewan Ltd., which operates as Muscowpetung Security Services and functions as a security service for the First Nation.

The entity owns 100% of 101274203 Saskatchewan Ltd., which operates as Mino Maskihki Cannabis Dispensary and functions as a cannabis dispensary for the First Nation.

The entity's investments in Muscowpetung Stop & Go Store, Muscowpetung Security Services and Mini Maskihki Cannabis Dispensary are included in these consolidated financial statements using financial information prepared as of August 31, 2019, covering the period of July 1, 2018 to August 31, 2019.

The following table presents condensed financial information for these government business enterprises:

	<b>Government Business Enterprises</b>		<b>2020 Total</b>	<b>2019 Total</b>
<b>Financial Position</b>				
Cash	\$ 24,199	\$ 24,199	\$ -	
Accounts receivable	203,378	203,378	69,170	
Inventory	86,517	86,517	16,194	
Tangible capital assets	98,704	98,704	112,986	
Due from related parties	14,700	14,700	-	
<b>Total assets</b>	<b>\$ 427,498</b>	<b>\$ 427,498</b>	<b>\$ 198,350</b>	
 Bank indebtedness	 \$ 23,200	 \$ 23,200	 \$ 8,991	
Accounts payable	119,471	119,471	48,437	
Due to related parties	782,234	782,234	626,409	
<b>Total liabilities</b>	<b>924,905</b>	<b>924,905</b>	<b>683,837</b>	
<b>Equity</b>	<b>(497,407)</b>	<b>(497,407)</b>	<b>(485,487)</b>	
<b>Total liabilities and equity</b>	<b>\$ 427,498</b>	<b>\$ 427,498</b>	<b>\$ 198,350</b>	
 <b>Results of operations</b>				
Revenue	\$ 2,536,628	\$ 2,536,628	\$ 882,463	
Expenses	2,548,549	2,548,549	908,911	
<b>Net income (loss)</b>	<b>\$ (11,921)</b>	<b>\$ (11,921)</b>	<b>\$ (26,448)</b>	

# Muscowpetung First Nation

## Notes to Consolidated Financial Statements

**March 31, 2020**

### 7. Related Party Transactions

These transactions are in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the related parties), which approximates the arm's length equivalent value for sales of product. Any amounts owing between related parties are non interest bearing.

At the end of the year, the amounts due from related parties are as follows:

	2020	2019
Muscowpetung Stop & Go Store	\$ 26,338	\$ 160,894
Mino Maskihki Cannabis Dispensary	23,589	20,000
	<u>\$ 49,927</u>	<u>\$ 180,894</u>

### 8. Tangible Capital Assets

	2019						2020
	Cost Beginning	Additions	Disposals	Cost Beginning	Additions	Disposals	Cost Ending
Infrastructure	\$ 1,047,500	\$ -	\$ -	\$ 1,047,500	\$ 62,775	\$ -	\$ 1,110,275
Buildings	121,026	-	-	121,026	-	-	121,026
Machinery and equipment	965,767	56,010	-	1,021,777	81,997	-	1,103,774
Store equipment	140,918	-	-	140,918	-	-	140,918
Vehicles	36,500	83,565	-	120,065	127,748	-	247,813
CMHC houses	6,127,284	-	-	6,127,284	607,640	-	6,734,924
Office equipment	27,950	1,495	-	29,445	-	-	29,445
Major housing renovations	-	504,251	-	504,251	925,919	-	1,430,170
Assets under construction	-	215,951	-	215,951	5,750	(215,951)	5,750
	<u>8,466,945</u>	<u>861,272</u>	<u>-</u>	<u>9,328,217</u>	<u>1,811,829</u>	<u>(215,951)</u>	<u>10,924,095</u>

	2020			2019		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Infrastructure	\$ 1,110,275	\$ 489,534	\$ 620,741	\$ 1,047,500	\$ 462,562	\$ 584,938
Buildings	121,026	112,005	9,021	121,026	107,164	13,862
Machinery and equipment	1,103,774	819,242	284,532	1,021,778	769,083	252,695
Store equipment	140,918	139,977	91	140,918	125,885	15,033
Vehicles	247,813	94,251	153,562	120,065	57,391	62,674
CMHC houses	6,734,924	2,584,468	4,150,456	6,127,284	2,327,223	3,800,061
Office equipment	29,445	28,946	499	29,445	28,448	997
Major housing renovations	1,430,170	147,146	1,283,024	504,251	50,425	453,826
Assets under construction	5,750	-	5,750	215,951	-	215,951
	<u>\$ 10,924,095</u>	<u>\$ 4,415,569</u>	<u>\$ 6,508,526</u>	<u>\$ 9,328,218</u>	<u>\$ 3,928,181</u>	<u>\$ 5,400,037</u>



# Muscowpetung First Nation

## Notes to Consolidated Financial Statements

**March 31, 2020**

### 9. Bank Indebtedness

The General #4 bank account carries an overdraft limit of \$300,000 at an interest rate of prime + 2% and 24% on amounts exceeding the authorized overdraft limit. At March 31, 2020 the entity has utilized \$301,516 (2019 - \$300,047) of credit on this account and is therefore over the authorized limit.

The General #6 bank account carries an overdraft limit of \$450,000 at an interest rate of 24%. At March 31, 2020 the entity has utilized \$1,569 (2019 - \$nil) of this authorized credit. There were cheques issued in excess of deposits on the account in the amount of \$447,472 (2019 - \$518,431).

### 10. Accounts Payable

	<u>2020</u>	<u>2019</u>
Trade accounts payable and accrued liabilities	\$ 471,988	\$ 613,867
Health Canada payable	13,372	13,372
Other payables	109,820	131,874
ISC payable	-	6,586
	<u>\$ 595,180</u>	<u>\$ 765,699</u>

# Muscowpetung First Nation

## Notes to Consolidated Financial Statements

**March 31, 2020**

### 11. Long-term Debt

	2020	2019
Royal Bank loan, bearing interest at prime + 0.25%, repayable in interest only monthly payments with total principal due June 2021, secured by a general security agreement, BCR, assignment of settlement trust proceeds and an insurance policy guaranteeing repayment.	\$ 1,649,170	\$ 1,475,600
Royal Bank loan, bearing interest at prime + 0.25%, repayable in interest only monthly payments with total principal due May 2021, secured by a general security agreement, BCR, assignment of settlement trust proceeds and an insurance policy guaranteeing repayment.	1,530,225	1,436,192
Peace Hills Trust loan, bearing interest at prime + 1.10%, repayable in quarterly blended payments of \$65,000, secured by a general security agreement, matures July 2023.	2,214,888	1,848,576
Canada Mortgage and Housing Authority mortgage repayable monthly at \$2,002 including interest at 1.05% secured by a ministerial guarantee, matures December 2024.	111,268	133,992
Canada Mortgage and Housing Authority mortgage repayable monthly at \$1,429 including interest at 1.50% secured by a ministerial guarantee, matures January 2025.	79,925	95,748
Canada Mortgage and Housing Authority mortgage repayable monthly at \$3,336 including interest at 1.67% secured by a ministerial guarantee, matures June 2034.	507,447	538,724
Canada Mortgage and Housing Authority mortgage repayable monthly at \$5,588 including interest at 2.52% secured by a ministerial guarantee, matures September 2038.	991,797	1,033,364
Canada Mortgage and Housing Authority mortgage repayable monthly at \$2,234 including interest at 2.52% secured by a ministerial guarantee, matures September 2038.	396,542	413,162
Canada Mortgage and Housing Authority mortgage repayable monthly at \$1,915, including interest at 1.69% secured by a ministerial guarantee, matures September 2039.	381,273	171,347
Canada Mortgage and Housing Authority mortgage repayable monthly at \$1,723 including interest at 1.72%, secured by ministerial guarantee, matures March 2040. Principal payments scheduled to begin in 2021.	349,824	-
Peace Hills Trust loan, bearing interest at 3.20%, repayable in annual payments of \$979,969, secured by an irrevocable collateral assignment of Trust property, matures July 2023.	7,472,674	8,276,807

# Muscowpetung First Nation

## Notes to Consolidated Financial Statements

**March 31, 2020**

**11. Long-term Debt (continued)**

	<u>15,685,033</u>	15,423,512
Less amounts due within one year included in current liabilities	<u>1,050,964</u>	<u>1,078,142</u>
	<b><u>\$ 14,634,069</u></b>	<b><u>\$ 14,345,370</u></b>

Principal repayments for the next five years and thereafter are as follows:

2021	\$ 1,050,964
2022	1,088,127
2023	2,862,149
2024	985,438
2025	1,007,237
Thereafter	<u>8,691,118</u>
	<b><u>\$ 15,685,033</u></b>

Interest paid on long term-term debt was \$461,015 (2019 - \$374,906).

# Muscowpetung First Nation

## Notes to Consolidated Financial Statements

**March 31, 2020**

### 12. Deferred Revenue

	Opening balance	Funding received	Revenue recognized	Closing balance 2020	Closing balance 2019
<b>Indigenous Services Canada:</b>					
In-Home Care	\$ 979	\$ -	\$ (979)	\$ -	\$ 979
SA - Employment/Training	10,959	9,217	(10,959)	9,217	10,959
Solid Waste Feasibility	28,000	-	(28,000)	-	28,000
Capacity/Innovation	50,000	24,617	(50,000)	24,617	50,000
Instructional Services	151,762	464,196	(151,762)	464,196	151,762
Jordan's Principle	39,162	39,162	(39,162)	39,162	39,162
FNYES Skills Link	-	31,417	-	31,417	-
FN School Kindergarten	-	20,249	-	20,249	-
SA Basic Needs	-	99,826	-	99,826	-
SA Special Needs	-	29,441	-	29,441	-
EMAP	-	37,913	-	37,913	-
Water Systems Operator	-	6,887	-	6,887	-
ACQ/Water & Wastewater	-	61,938	-	61,938	-
Electrical Systems	-	1,618	-	1,618	-
Other Protection	-	4,080	-	4,080	-
Capacity Development	-	12,000	-	12,000	-
Capacity Building (EMA)	-	8,518	-	8,518	-
Accounting Training	-	6,986	-	6,986	-
10 Year Grant	-	30,845	-	30,845	-
Roads Resurfacing	-	20,000	-	20,000	-
P&ID LEadership	-	20,000	-	20,000	-
Coronavirus Emergency	-	43,286	-	43,286	-
New Housing Phase 1	-	490,500	-	490,500	-
	<b>\$ 280,862</b>	<b>\$ 1,462,696</b>	<b>\$ (280,862)</b>	<b>\$ 1,462,696</b>	<b>\$ 280,862</b>
<b>Other Federal Government:</b>					
School renovations	118,944	109,640	(118,944)	109,640	118,944
Backup well	362,491	333,664	(362,491)	333,664	362,491
Road to community well	69,346	-	(69,346)	-	69,346
Per Capita Payout	-	285,055	-	285,055	-
ISETS Carpenter Program	-	5,740	-	5,740	-
	<b>\$ 550,781</b>	<b>\$ 734,099</b>	<b>\$ (550,781)</b>	<b>\$ 734,099</b>	<b>\$ 550,781</b>
<b>Legacy Trust:</b>					
Minor distributions	313,438	-	(313,438)	-	313,438
	<b>\$ 313,438</b>	<b>\$ -</b>	<b>\$ (313,438)</b>	<b>\$ -</b>	<b>\$ 313,438</b>
<b>Health:</b>					
Brighter Futures	-	10,726	-	10,726	-
Mental Health	-	15,906	-	15,906	-
CPNP	-	60	-	60	-
Medical Transportation	-	44,230	-	44,230	-
Health Research	-	2,969	-	2,969	-
FASD	-	2,637	-	2,637	-
JP Mental Health	-	43,610	-	43,610	-
Education	-	23,150	-	23,150	-
Health Director	-	2,653	-	2,653	-
Cap Inv Health	-	519	-	519	-
	<b>\$ -</b>	<b>\$ 146,460</b>	<b>\$ -</b>	<b>\$ 146,460</b>	<b>\$ -</b>
	<b>\$ 1,145,081</b>	<b>\$ 2,343,255</b>	<b>\$ (1,145,081)</b>	<b>\$ 2,343,255</b>	<b>\$ 1,145,081</b>

# Muscowpetung First Nation

## Notes to Consolidated Financial Statements

**March 31, 2020**

### 13. First Nations Trust

Under the terms of the agreement in place with First Nations Trust and the annual reporting policy associated with the agreement, Muscowpetung First Nation is required to disclose the funds received and related expenses. The financial operations related to First Nations Trust funding for the year were as follows:

	2020	2019
<b>Revenue</b>		
First Nations Trust	\$ 438,529	\$ 445,459
<b>Expenses</b>		
Cultural and spiritual development	128,713	1,000
Senior and youth programs	309,816	425,862
Other charitable purposes	-	18,597
	<u>\$ 438,529</u>	<u>\$ 445,459</u>

### 14. Muscowpetung Legacy Trust

The Muscowpetung Legacy Trust was established as part of the settlement agreement for the Muscowpetung Saulteaux First Nation Flood Claim. The Trust Agreement required the First Nation to establish the Muscowpetung Legacy Trust (the "Trust") to hold the compensation and any income earned for the benefit of current and future generations of members of the First Nation.

Under the terms of the Trust Agreement, the net annual income or an allotment calculated at 4% of the average market value of the Trust property on December 31 for the preceeding five fiscal years (in the initial year, the annual allotment is fixed at \$200,000), will be allocated to the First Nation on or before December 31 of each year and will either be paid by December 31 of each year or as soon as possible after year end.

At the fiscal year end of the Trust, December 31, 2019, \$1,287,896 (2018 - \$1,243,874) of net annual income of the Legacy Trust, as defined in the Trust Agreement, was allocated to the First Nation. From this amount the Legacy Trust withheld \$979,969 (2018 - \$979,969) for loan payment resulting in an increase in unallocated trust assets during the year \$307,927 (2018 - \$263,905) that has been included in Legacy Trust revenue.

The Legacy Trust assets consist primarily of Canadian and foreign fixed income securities, Canadian and foreign equities and Canadian mutual funds.

### 15. Replacement Reserve

Under the terms of the agreement with Canada Mortgage and Housing Corporation, the replacement reserve accounts for each phase are to accumulate with annual appropriations until they reach the final accumulation amounts plus interest.

These funds, along with the accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by Canada Mortgage and Housing Corporation and withdrawals are credited first to interest, then to principal.

The amount of replacement reserve at March 31, 2020 is \$27,714. \$510,270 is funded and set aside in a separate bank account. The annual replacement reserve allocation is \$42,640.

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## Muscowpetung First Nation Notes to Consolidated Financial Statements

**March 31, 2020**

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### **16. Contingent Assets**

The First Nation has initiated claims against Canada referred to as the "Surrender" and "Channelization" claims. The First Nation has obtained loans to finance the costs of negotiating the settlement. Insurance policies have been obtained to mitigate the risk that the settlement proceeds may be less than the total loan outstanding at such time as the claim is resolved. As at March 31, 2020 the loan amounts outstanding are \$1,475,600 and \$1,436,192. The First Nation anticipates that these costs will be paid from the settlement proceeds, and when the claim is finalized, or the insurance proceeds paid, the amount will be recognized as revenue.

### **17. Land Claim Settlements**

The First Nation has entered into negotiations with Canada regarding specific claim settlements. Loans have been secured to provide funding for the negotiation costs. There are insurance policies guaranteeing repayment, should no settlement funds be received. There are two loans approved, for a total of \$5,976,320 and draw downs will coincide with settlement expenses incurred. As of March 31, 2020 \$3,179,395 (2019 - \$2,911,792) has been drawn down.

### **18. Employee Benefit Obligations**

The First Nation provides a defined contribution plan for eligible members of its staff. Members are required to contribute a percentage of their basic salary. The First Nation matches employee contributions. Actual contributions to pension plan made during the year by the First Nation on behalf of its employees are expected to be \$13,998 (2018 - \$13,047) and are included in the consolidated statement of operations. Muscowpetung First Nation does not have any other obligations with regards to the pension plan as at March 31, 2020.

### **19. Economic Dependence**

The First Nation receives a significant portion of its revenue pursuant to a funding arrangement with Indigenous Services Canada (ISC) and Health Canada.

### **20. Financial Impact of COVID-19**

During the fiscal year, the impact of COVID-19 in Canada and on the global economy increased significantly. As the impacts of COVID-19 continue, there could be further impact on the organization, its funders and its residents. Management is actively monitoring the affect on its financial condition, liquidity, operations, suppliers, industry, and workforce. To date there has been no financial impact on government funding or rent revenue collected. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the organization is not able to fully estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity at this time.

### **21. Compliance with Authorities**

In the year, the First Nation commenced operating a retail cannabis dispensary. The dispensary operates without a permit issued under the *Cannabis Control (Saskatchewan) Act* (the Act). The Act prescribes that no organization shall distribute cannabis in Saskatchewan without a permit. The applicability of the Act to retail operations on First Nation land has not been ruled upon by any relevant court. Liabilities may result from the First Nation not following the Act. The magnitude of any such liabilities is not currently determinable.

# Muscowpetung First Nation

## Notes to Consolidated Financial Statements

**March 31, 2020**

### 22 Prior Year Figures

The prior year figures have been changed to conform with the current year accounting presentation.

### 23. Prior Period Adjustment

During the year it was determined that the Muscowpetung Legacy Trust was identified as a First Nation controlled entity and as such is required to be fully consolidated into the financial statements. Accordingly, the financial assets and liabilities were understated and revenues and expenses were overstated. The impact of these adjustments have been reflected below for the year ended March 31, 2019.

The following adjustments have been made to the prior year's figures:

	Prior to Restatement	Restatement	Balance Restated
Accounts receivable	\$2,865,271	\$(263,905)	\$2,601,366
Muscowpetung Legacy Trust	-	29,907,402	29,907,402
Accounts payable	(761,874)	(3,823)	(765,697)
Deferred revenue	(1,408,986)	263,905	(1,145,081)
Long-term debt	(7,146,705)	(8,276,807)	(15,423,512)
Legacy Trust draws repayable	(8,276,807)	8,276,807	-
Muscowpetung Legacy Trust income	(1,243,874)	(174,908)	(1,418,782)
Deferred Revenue	204,524	(263,905)	(59,381)
Legacy Trust loan payments	6,228,633	(6,228,633)	-
Net financial assets, beginning of year	6,762,292	(23,236,133)	(16,473,841)

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## Muscowpetung First Nation Notes to Consolidated Financial Statements

**March 31, 2020**

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### **24. Segmented Information**

Muscowpetung First Nation is a First Nation government that provides a wide range of services to the members of its community. For management reporting purposes the First Nations' operations and activities are organized and reported by Program. Programs were created for the purpose of recording specific activities in accordance with specific regulations, restrictions or limitations. These activities can also be categorized into segments. The following significant segments have been identified and as such are separately disclosed:

#### Education

Education contains activities that provide education to band members for primary, secondary schooling and sponsorship to attend post secondary institutions.

#### Social

Social contains activities that provide financial support or support by other means to band members that is aimed at developing both the individual as well as the community.

#### Band Support/Administration

Band support/administration contains activities that are necessary for the management and governance of the First Nation organization.

#### Land/Community Development

Land/community development contains all activities that relate to the maintenance of land, buildings and infrastructure of the First Nation.

#### Health

Health contains activities that provide medical services to band members.

#### Housing

Housing contains activities that provide housing and repairs and maintenance to band members' housing.

#### Economic Development

Economic development contains activities that relate to planning, proposal development and implementation of ongoing activities and one-time projects, and to pursue economic objectives which include employment of community members and the development of community owned and operated businesses.



# Muscowpetung First Nation

## Schedule of Segmented information / Statement by Object

For the year ended March 31, 2020

	Band Support/ Administration	Social	Education	Health	Housing	Land /Community Development	Economic Development	Total
I.S.C.	\$ 625,125	\$ 1,259,134	\$ 2,238,122	\$ -	\$ -	\$ 735,629	\$ -	\$ 4,858,010
F.N.I.H.B.	-	-	-	753,160	-	-	-	753,160
Other revenue	2,452,581	483	203,026	97,520	291,335	14,666	51,129	3,110,740
Deferred revenue - prior year	363,438	11,938	190,924	-	-	578,781	-	1,145,081
Deferred revenue - current year	(388,023)	(628,984)	(560,764)	(189,745)	-	(575,740)	-	(2,343,256)
Total revenue	3,053,121	642,571	2,071,308	660,935	291,335	753,336	51,129	7,523,735
Administration	3,947	-	-	-	-	-	-	3,947
Capital	12,600	-	6,000	57,658	192,436	673,843	-	942,537
Program expenditures	3,234,309	611,513	1,274,533	523,583	416,557	849,777	516,484	7,426,756
Salaries and benefits	383,213	64,608	801,758	308,223	60,180	498,979	92,568	2,209,529
Amortization	31,363	-	6,450	9,184	257,244	181,987	1,159	487,387
Travel	353,192	5,980	50,775	49,972	5,120	58,722	7,999	531,760
Transfers	(121,599)	-	(51,600)	(57,658)	(12,000)	(716,457)	(23,172)	(982,486)
Total expenses	3,897,025	682,101	2,087,916	890,962	919,537	1,546,851	595,038	10,619,430
Surplus (deficit)	\$ (843,904)	\$ (39,530)	\$ (16,608)	\$ (230,027)	\$ (628,202)	\$ (793,515)	\$ (543,909)	\$ (3,095,695)

**Muscowpetung First Nation  
(CMHC Housing (Section 95))**

**Financial Statements**  
**For the year ended March 31, 2020**

## **Muscowpetung First Nation (CMHC Housing (Section 95))**

### **Financial Statements**

**For the year ended March 31, 2020**

#### **Contents**

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<b>Management's Responsibility for Financial Reporting</b>	<b>2</b>
<b>Independent Auditors' Report</b>	<b>3</b>
<b>Financial Statements</b>	
Statement of Financial Position	<b>6</b>
Statement of Changes in Net Assets	<b>7</b>
Statement of Operations - Operating	<b>8</b>
Statement of Operations - Replacement Reserve	<b>9</b>
Statement of Cash Flows	<b>10</b>
Notes to Financial Statements	<b>11</b>

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## **Management's Responsibility for Financial Reporting**

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The accompanying financial statements of Muscowpetung First Nation (CMHC Housing (Section 95)) and all the information in this annual report are the responsibility of management and have been approved by the Chief and Council of Muscowpetung First Nation.

The financial statements have been prepared by management in accordance with the basis of accounting described in Note 1. Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

The First Nation maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the First Nation's assets are appropriately accounted for and adequately safeguarded.

The First Nation Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The financial statements have been audited by BDO Canada LLP in accordance with Canadian generally accepted auditing standards on behalf of the directors. BDO Canada LLP has full and free access to Council.

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Chief Melissa Tavita



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BDO Canada LLP  
148 - 10<sup>th</sup> Street  
Brandon MB R7A 4E6 Canada

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## Independent Auditors' Report

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### To the Chief and Council of Muscowpetung First Nation (CMHC Housing (Section 95))

#### Opinion

We have audited the financial statements of Muscowpetung First Nation (CMHC Housing (Section 95)) (the organization), which comprise the statement of financial position as at March 31, 2020, the statements of operations (operations and replacement reserve), changes in net assets, and cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying financial statements of the organization for the year ended March 31, 2020 are prepared, in all material respects, in accordance with the financial reporting provisions of the Operating Agreement between the organization and Canada Mortgage and Housing Corporation (CMHC), related guidance issued by CMHC (the "agreement"), and as described in Note 1.

#### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our 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.

#### Emphasis of Matter - Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the organization to comply with agreement referred to above. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

#### Emphasis of Matter - Restated Comparative Information

Without modifying our opinion we draw attention to Note 12 of the financial statements, which describes that certain comparative financial information presented for the year ended March 31, 2019 has been restated.

The financial statements for the year ended March 31, 2019 (prior to the adjustments that were applied to restate certain comparative information explained in Note 12) were audited by another auditor who expressed an unmodified opinion on those financial statements on August 14, 2019. Our opinion is not modified in respect of this matter.

As part of our audit of the financial statements for the year ended March 31, 2020, we also audited the adjustments applied to restate certain comparative information presented. In our opinion, such adjustments are appropriate and have been properly applied. Other than with respect to the adjustments that were applied to restate certain comparative information, we were not engaged to audit, review or apply any procedures to the financial statements for the year ended March 31, 2019. Accordingly we do not express an opinion or any other form of assurance on those financial statements taken as a whole.



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

Management is responsible for the preparation of the financial statements in accordance with the agreement and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the organization's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the organization or to cease operations, or has no realistic alternative but to do so.

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for 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 organization'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 organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.



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.

*BDO Canada LLP*

Chartered Professional Accountants



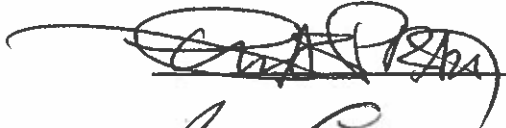
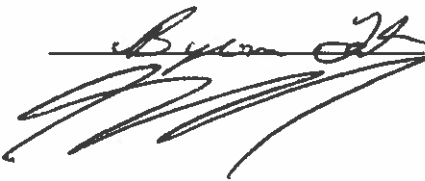
Brandon, Manitoba  
June 18, 2021

# Muscowpetung First Nation (CMHC Housing (Section 95))

## Statement of Financial Position

March 31	2020	2019
		(Restated Note 12)
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 307,665	\$ 238,083
Restricted cash	510,270	497,182
Accounts receivable (Note 4)	67,933	19,605
	<u>885,868</u>	<u>754,870</u>
<b>Capital assets (Note 5)</b>	<u>2,863,972</u>	<u>2,386,928</u>
	<u><b>\$ 3,749,840</b></u>	<u><b>\$ 3,141,798</b></u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 8,900	\$ 18,068
Accrued interest	4,916	4,082
Due to Muscowpetung First Nation		
- Assets Under Construction (Note 7)	5,750	-
Due to Muscowpetung First Nation (Note 7)	623,091	100,457
Current portion of long-term debt (Note 8)	159,206	127,997
	<u>801,863</u>	<u>250,604</u>
<b>Long-term debt (Note 8)</b>	<u>2,659,461</u>	<u>2,258,931</u>
	<u><b>3,461,324</b></u>	<u><b>2,509,535</b></u>
<b>Net Assets</b>		
Investment in capital assets (Note 9)	39,555	-
Replacement reserve	27,714	311,039
Unrestricted net assets	221,247	321,224
	<u>288,516</u>	<u>632,263</u>
	<u><b>\$ 3,749,840</b></u>	<u><b>\$ 3,141,798</b></u>

On behalf of Chief and Council:

 _____ Chief		 _____ Councilor
 _____ Councilor		 _____ Councilor

The accompanying notes are an integral part of these financial statements.



**Muscowpetung First Nation (CMHC Housing (Section 95))**  
**Statement of Changes in Net Assets**

For the year ended March 31	Replacement Reserve	Unrestricted Net Assets	Invested in Capital Assets	2020	2019 (Restated Note 12)
Balance, beginning of year as previously stated	\$ 321,250	\$ 321,224	\$ -	\$ 642,474	\$ 719,596
Prior period adjustment (Note 12)	(10,211)	-	-	(10,211)	-
Balance, beginning of year,	311,039	321,224	-	632,263	719,596
Surplus (deficit) for the year	(290,675)	(92,627)	39,555	(343,747)	(87,343)
Transfer - CMHC adjustment	7,350	(7,350)	-	-	-
<b>Balance, end of year</b>	<b>\$ 27,714</b>	<b>\$ 221,247</b>	<b>\$ 39,555</b>	<b>\$ 288,516</b>	<b>\$ 632,253</b>

# Muscowpetung First Nation (CMHC Housing (Section 95))

## Statement of Operations - Operating

For the year ended March 31	2020	2019
		(Restated Note 12)
<b>Revenue</b>		
CMHC subsidy	\$ 184,996	\$ 168,599
Rent	56,747	61,434
Rental revenue shortfall	89,097	78,930
CMHC subsidy - supplemental assistance	-	7,350
Band investment in capital assets	39,555	-
Other revenue	23,969	-
	<u>394,364</u>	<u>316,313</u>
<b>Expenses</b>		
Administration	29,500	23,519
Amortization	134,302	126,271
Insurance	25,800	13,544
Loan interest	55,642	48,119
Professional fees	8,899	7,856
Repairs and maintenance	103,702	55,809
Replacement reserve allocation	42,640	41,040
Salaries and wages	46,951	-
	<u>447,436</u>	<u>316,158</u>
<b>Surplus (deficit) for the year</b>	<b>\$ (53,072)</b>	<b>\$ 155</b>

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**Muscowpetung First Nation (CMHC Housing (Section 95))**  
**Statement of Operations - Replacement Reserve**

<b>For the year ended March 31</b>	<b>2020</b>	<b>2019</b>
		(Restated Note 12)
Allocation for the year	\$ 42,640	\$ 41,040
Interest earned	11,638	11,338
Replacement reserve expenses	<u>(344,953)</u>	<u>(139,876)</u>
<b>Deficit for year</b>	<b>\$ (290,675)</b>	<b>\$ (87,498)</b>

## Muscowpetung First Nation (CMHC Housing (Section 95)) Statement of Cash Flows

For the year ended March 31	2020	2019
		(Restated Note 12)
<b>Cash Flows from Operating Activities</b>		
Deficit for the year	\$ (53,072)	\$ 155
Adjustments for:		
Amortization of capital assets	134,302	126,271
	<u>81,230</u>	<u>126,426</u>
Changes in non-cash working capital balances		
Accounts receivable	(48,326)	16,881
Accounts payable	(9,168)	2
Accrued interest	834	9
	<u>(56,660)</u>	<u>16,892</u>
	<u>24,570</u>	<u>143,318</u>
<b>Cash Flows from Investing Activities</b>		
Capital asset additions	<u>(611,346)</u>	<u>(171,938)</u>
<b>Cash Flows from Financing Activities</b>		
Advances from related party	528,384	282,492
Repayment of long-term debt	(134,302)	(126,270)
Advances of long-term debt	566,041	171,938
Change in replacement reserve	<u>(290,675)</u>	<u>(77,277)</u>
	<u>669,448</u>	<u>250,883</u>
<b>Increase in cash during the year</b>	<b>82,672</b>	<b>222,263</b>
<b>Cash, beginning of year</b>	<b>735,265</b>	<b>513,002</b>
<b>Cash, end of year</b>	<b>\$ 817,935</b>	<b>\$ 735,265</b>
<b>Represented by</b>		
Cash	\$ 307,665	\$ 238,083
Restricted cash (Note 2)	<u>510,270</u>	<u>497,182</u>
	<u>\$ 817,935</u>	<u>\$ 735,265</u>
<b>Supplementary Financial Information</b>		
Interest paid in year	<u>\$ 55,642</u>	<u>\$ 48,119</u>

The accompanying notes are an integral part of these financial statements.

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## **Muscowpetung First Nation (CMHC Housing (Section 95))**

### **Notes to Financial Statements**

**March 31, 2020**

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#### **1. Summary of Significant Accounting Policies**

##### **Nature of Business**

Muscowpetung First Nation (CMHC Housing (Section 95)) is a department of Muscowpetung First Nation that controls a multitude of housing units offering affordable accommodations to residents of the community.

Muscowpetung First Nation (CMHC Housing (Section 95)) is a non-taxable entity under the Income Tax Act.

Under the terms of the agreement with CMHC, the financial statements are completed in accordance with Canadian Public Sector Accounting Standards for not-for-profit organizations except for the following items required by Canada Mortgage and Housing Authority (CMHC):

(a) Amortization is not provided over the estimated useful life of the buildings but rather at a rate equal to the annual principal reduction of the mortgage and other assets are not amortized.

(b) Capital assets purchased for use in the housing units and acquired subsequent to initial construction are charged to operations in the year the expenditure is incurred, and, those purchased from the replacement reserve are charged against the replacement reserve account, rather than being capitalized on the balance sheet and amortized over their estimated useful lives.

(c) A reserve for future capital replacement is appropriated annually from operations.

(d) The organization has not adopted PS 3450 (*Financial Instruments*) of Public Sector Accounting Standards.

(e) Adjustments by CMHC on acceptance are accounted for prospectively.

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## **Muscowpetung First Nation (CMHC Housing (Section 95))**

### **Notes to Financial Statements**

**March 31, 2020**

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#### **Capital Assets**

The initial cost of construction of housing units in phases 1-5 are stated at an equal value to the mortgage balance as at December 31, 2018. The initial cost of construction of housing units in phases 7 and beyond are initially stated at cost.

Changes in Investment in capital assets during the year represent contributions from Muscowpetung First Nation during the year for housing assets constructed in the year.

Amortization on buildings, furniture and equipment purchased from loans insured by Canada Mortgage and Housing Corporation is provided in an amount equal to the annual mortgage principal repayment, as required by the Canada Mortgage and Housing Corporation. All other assets are charged to the replacement reserve funds or expensed as incurred.

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## **Muscowpetung First Nation (CMHC Housing (Section 95))**

### **Notes to Financial Statements**

**March 31, 2020**

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#### **1. Summary of Significant Accounting Policies (continued)**

<b>Replacement Reserve</b>	The replacement reserve account is funded by an annual charge against earnings. Interest earned and asset replacements are charged against the reserve.
<b>Revenue Recognition</b>	<p>The organization follows the deferral method of accounting for restricted contributions.</p> <p>Canada Mortgage and Housing Corporation subsidy revenue and other grants are recognized when the amounts are receivable in accordance with funding agreements.</p> <p>Rental revenue is recognized when services have been provided in accordance with tenant agreements and the collectible amount is determinable.</p> <p>Interest revenue is recognized when earned on the related investments.</p>
<b>Use of Estimates</b>	<p>The preparation of financial statements in accordance with Canadian public sector accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities of the financial statements, and the reported amounts of revenues and expenses during the reported period. Actual results could differ from management's best estimates as additional information becomes available in the future. Significant estimates consist of the following:</p> <ul style="list-style-type: none"><li>- Collectability of accounts receivable</li></ul>

## Muscowpetung First Nation (CMHC Housing (Section 95)) Notes to Financial Statements

**March 31, 2020**

### 2. Cash

Under the terms of the agreement with Canada Mortgage and Housing Corporation, any annual operating surplus may be retained in an operating reserve, to be drawn against in the event of any future deficits. The reserve is to be comprised of monies deposited in a separate bank account and/or invested only in accounts or instruments insured by the Canadian Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time.

All interest earned by the fund has been accrued to and maintained with the fund. The operating reserve has been maintained in accordance with paragraph 10(2)(g) of the First Nation's Operating Agreement with CMHC.

	2020	2019
Cash	\$ 307,665	\$ 238,083
Accounts receivable	67,933	19,605
Accounts payable	(8,900)	(18,068)
Accrued interest	(4,916)	(4,082)
	<u>361,782</u>	<u>235,538</u>
Less: Unrestricted net assets funds required	<u>(221,244)</u>	<u>(321,224)</u>
Excess funds due to (from) Muscowpetung First Nation	<u>\$ 140,538</u>	<u>\$ (85,686)</u>

### 3. Restricted Cash

Under the terms of the agreement with CMHC, the replacement reserve accounts are to accumulate with annual appropriations until they reach final accumulation amounts plus interest.

These funds, along with the accumulated interest, must be held in separate bank accounts and/or invested only in accounts or instruments insured by Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC. The funds may only be used as approved by CMHC and withdrawals are credited first to interest, then to principal.

	2020	2019
Replacement reserve bank	\$ 44,592	\$ 31,504
Term deposits	465,678	465,678
	<u>510,270</u>	<u>497,182</u>
Reserve funds required	<u>(27,714)</u>	<u>(311,039)</u>
Excess funds due to Muscowpetung First Nation	<u>\$ 482,556</u>	<u>\$ 186,143</u>



**Muscowpetung First Nation (CMHC Housing (Section 95))**  
**Notes to Financial Statements**

**March 31, 2020**

**4. Accounts Receivable**

	2020	2019
Subsidy	\$ 17,853	\$ 14,097
Rent	5,508	5,508
CMHC funding holdback	35,933	-
Training	8,636	-
	<b>\$ 67,930</b>	<b>\$ 19,605</b>

**5. Capital Assets**

	2020		2019	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Phases 1-5	\$ 2,341,261	\$ 254,283	\$ 2,341,261	\$ 126,271
Phases 7 and later	783,284	6,290	171,938	-
	<b>\$ 3,124,545</b>	<b>\$ 260,573</b>	<b>\$ 2,513,199</b>	<b>\$ 126,271</b>
Net book value		<b>\$ 2,863,972</b>		<b>\$ 2,386,928</b>

The historical information to report the original cost and accumulated amortization for housing phases 1 through 5 are not available to report for periods beginning before 2019.

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## **Muscowpetung First Nation (CMHC Housing (Section 95))**

### **Notes to Financial Statements**

**March 31, 2020**

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#### **6. Accounts Payable**

There are no government remittances included in accounts payable as at March 31, 2020 (2019 - \$nil).

#### **7. Due to Muscowpetung First Nation**

Muscowpetung First Nation (CMHC Housing (Section 95)) is a function of the operations reported within the band. The band contributes certain amounts to CMHC programs in the normal course of business.

The amount due to Muscowpetung First Nation represents the funds paid by the band for operating expenses of the Housing function that are to be reimbursed from cash on hand. The amount is non-interest bearing, in the normal course of business, measured at their exchange amount, and there are no specified terms of repayment.

The following table summarizes advances from (repayments to) Muscowpetung First Nation in the year:

	<u>2020</u>	<u>2019</u>
Revenue - social rents	\$ 56,747	\$ 61,434
Revenue shortfall	89,097	78,930
Band contributions - capital assets	39,555	-
Band contributions - capital assets under construction	5,750	-
Band contributions - temporary loan	<u>522,634</u>	<u>142,128</u>
	<u>\$ 713,783</u>	<u>\$ 282,492</u>

**Muscowpetung First Nation (CMHC Housing (Section 95))**  
**Notes to Financial Statements**

**March 31, 2020**

**8. Long-term Debt**

	<u>2020</u>	<u>2019</u>
Canada Mortgage and Housing Authority mortgage repayable monthly at \$2,002 including interest at 1.05% secured by real property and a ministerial guarantee, matures December 1, 2024	\$ 111,268	\$ 133,992
Canada Mortgage and Housing Authority mortgage repayable monthly at \$1,429 including interest at 1.50% secured by real property and a ministerial guarantee, matures January 1, 2025	79,925	95,748
Canada Mortgage and Housing Authority mortgage repayable monthly at \$3,336 including interest at 1.67% secured by real property and a ministerial guarantee, matures June 1, 2034	507,456	538,724
Canada Mortgage and Housing Authority mortgage repayable monthly at \$5,588 including interest at 2.52% secured by real property and a ministerial guarantee, matures September 1, 2038	991,870	1,033,364
Canada Mortgage and Housing Authority mortgage repayable monthly at \$2,234 including interest at 2.52% secured by real property and a ministerial guarantee, matures September 1, 2038	396,571	413,162
Canada Mortgage and Housing Authority mortgage repayable monthly at \$1,915 including interest at 1.69% secured by real property and a ministerial guarantee, matures September 1, 2039	381,753	171,938
Canada Mortgage and Housing Authority mortgage repayable monthly at \$1,723 including interest at 1.72% secured by real property and a ministerial guarantee, matures March 1, 2040	349,824	-
	<u>2,818,667</u>	<u>2,386,928</u>
Less amounts due within one year included in current liabilities	<u>159,206</u>	<u>127,997</u>
	<u>\$ 2,659,461</u>	<u>\$ 2,258,931</u>

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## **Muscowpetung First Nation (CMHC Housing (Section 95))**

### **Notes to Financial Statements**

**March 31, 2020**

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Principal repayments for the next five years and thereafter are as follows:

2021	\$ 159,206
2022	164,894
2023	168,036
2024	171,242
2025	166,987
Thereafter	<u>1,988,302</u>
	<u>\$ 2,818,667</u>

#### **9. Investment in Capital Assets**

The balance represents contributions by Muscowpetung First Nation towards CMHC project equity starting with Phase 7.

#### **10. Economic Dependence**

Muscowpetung First Nation (CMHC Housing (Section 95)) is economically dependent on funding received from the Government of Canada and Muscowpetung First Nation.

#### **11. Financial Impact of COVID-19**

During the fiscal year, the impact of COVID-19 in Canada and on the global economy increased significantly. As the impacts of COVID-19 continue, there could be further impact on the organization, its funders and its tenants. Management is actively monitoring the affect on its financial condition, liquidity, operations, suppliers, industry, and workforce. To date there has been no financial impact on government funding or rent revenue collected. Given the daily evolution of the COVID-19 out break and the global responses to curb its spread, the organization is not able to fully estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity at this time.

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## Muscowpetung First Nation (CMHC Housing (Section 95)) Notes to Financial Statements

**March 31, 2020**

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### 12. Prior Period Adjustment

During the year it was determined that a loan advance received during the 2019 fiscal year had not been recorded in the financial statements. Accordingly, the capital assets and long-term debt balances were understated. The impact of this correction has been reflected below for the year ended March 31, 2019.

During the year it was determined that replacement reserve expenses payable at the 2019 fiscal year end had not been recorded in the financial statements. Accordingly the accounts payable and replacement reserve expenses were understated. The impact of this correction has been reflected below for the year ended March 31, 2019.

	Prior to Restatement	Restatement	Balance Restated
Capital assets	2,214,990	171,938	2,386,928
Long-term debt	(2,086,993)	(171,938)	(2,258,931)
Accounts payable	(7,857)	(10,211)	(18,068)
Replacement reserve expenses	129,665	10,211	139,876
Replacement reserve	321,250	(10,211)	311,039

### 13. Prior Year Figures

The prior year figures have been reclassified to conform to the current year presentation.