



Consolidated Financial Statements

Shawanaga First Nation

March 31, 2019



Shawanaga First Nation
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Management's Responsibility

To the Chief and Council and Members of Shawanaga First Nation:

The accompanying consolidated financial statements of Shawanaga First Nation for the year ended March 31, 2019 are the responsibility of management and have been approved by the Chief and Council.

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

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

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

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

September 24, 2019



Band Administrator



Finance Manager

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Independent auditor's report

To the Members of Shawanaga First Nation

Qualified Opinion

We have audited the consolidated financial statements of Shawanaga First Nation ("the First Nation"), which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statements of operations, change 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, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Shawanaga First Nation as at March 31, 2019, and its results of operations, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

The First Nation has interests in government business partnerships which participate in Feed-in-Tariff (FIT) hydro-electric projects and which are accounted for under the modified equity method. These government business partnerships are carried at \$nil on the statement of financial position as at March 31, 2019 and the First Nation's share of distributions from these partnerships totalling \$nil is reported in the First Nation's operations for the year then ended. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of the First Nation's interests in these government business partnerships as at March 31, 2019 and the First Nation's share of partnership income for the year because partnership financial statements prepared by the partners were not available as at September 24, 2019. Consequently we were unable to determine whether any adjustments to those amounts were necessary.

Other Matter

The financial statements for the year ended March 31, 2018, excluding the adjustments that were applied to restate certain comparative information as described in Note 19, were audited by another auditor who expressed a qualified opinion on those financial statements on August 24, 2018 for the reasons described in the Basis for Qualified Opinion section. As part of our audit of the financial statements for the year ended March 31, 2019, we also audited the adjustments applied to restate the comparative information described in Note 19. In our opinion, such adjustments are appropriate and have been properly applied.

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 a going concern and using the going concern basis of accounting unless management either intends to liquidate the First Nation or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the First Nation and the organizations it controls 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.

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script font.

North Bay, Canada
September 24, 2019

Chartered Professional Accountants
Licensed Public Accountants

Shawanaga First Nation

Consolidated Statements of Operations and Accumulated Surplus

Year Ended March 31

2019

2018

Actual

Actual

(Restated -
See Note 19)

Revenue		
Government funding (Note 16)	\$ 6,530,279	\$ 6,025,152
Sales	4,510,928	3,707,475
Rental and other	555,231	1,714,434
Interest	24,225	17,939
Loss on disposal of equipment	(17,344)	-
(Loss) earnings from investment in government business enterprise (Note 5)	(56,619)	66,257
	<u>11,546,700</u>	<u>11,531,257</u>
Expenses		
Capital	143,708	96,944
Community operations	1,166,556	1,035,553
Economic development	4,527,794	3,685,336
Education	1,107,489	1,151,427
First Nation administration	1,741,586	1,794,699
Health services	1,615,067	1,303,289
Other	420,012	398,181
Social services	342,587	370,077
	<u>11,064,799</u>	<u>9,835,506</u>
Annual surplus before prior year subsidy settlements	481,901	1,695,751
Prior year subsidy settlements	(13,682)	(20,283)
Annual surplus from operations	468,219	1,675,468
Road settlement payout - Hwy 7182	19,608	-
Community distribution - Henvey Inlet Wind Farm Transmission Line Settlement	(11,000)	(618,000)
Annual surplus	476,827	1,057,468
Accumulated surplus, beginning of year	5,299,080	4,241,612
Accumulated surplus, end of year (Note 14)	<u>\$ 5,775,907</u>	<u>\$ 5,299,080</u>

Shawanaga First Nation

Consolidated Statement of Financial Position

March 31

2019

2018
(Restated -
See Note 19)

Financial assets

Cash and cash equivalents	\$ 1,928,561	\$ 1,784,379
Restricted cash (Note 3)	769,332	1,152,566
Receivables	1,946,584	1,709,318
Inventory for resale	147,970	78,150
Investments in government business enterprise (Note 5)	444,282	547,901
Mortgages receivable (Note 18)	632,185	666,044
Long-term loan receivable	1,240	7,412
	<u>5,870,154</u>	<u>5,945,770</u>

Liabilities

Payables and accruals	1,481,393	1,226,845
Funding repayable (Note 20)	478,836	417,483
Due to related parties (Note 11)	44,234	-
Deferred contributions (Note 7)	1,243,436	892,805
Long term debt (Note 12)	879,790	764,771
Obligations under capital lease (Note 13)	2,814	4,846
	<u>4,130,503</u>	<u>3,306,750</u>

Net financial assets

	<u>1,739,651</u>	<u>2,639,020</u>
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Non-financial assets

Prepays and deposits	51,679	11,530
Tangible capital assets (Note 6)	3,984,577	2,648,530
	<u>4,036,256</u>	<u>2,660,060</u>

Accumulated surplus (Note 14)

	<u>5,775,907</u>	<u>\$ 5,299,080</u>
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Contingencies (Note 9)

On behalf of Council

 Councillor

 Councillor

Shawanaga First Nation

Consolidated Statement of Change in Net Financial Assets

Year Ended March 31

2019
Actual

2018
Actual
(Restated -
See Note 19)

Annual surplus	\$ 476,827	\$ 1,057,468
Amortization of tangible capital assets	579,751	360,527
Acquisition of tangible capital assets	(1,933,142)	(424,187)
Gain on disposal of tangible capital assets	17,344	-
Change in prepaids and deposits	<u>(40,149)</u>	<u>(1,071)</u>
Increase (decrease) in net financial assets	(899,369)	992,737
Net financial assets,		
Beginning of year	<u>2,639,020</u>	<u>1,646,283</u>
End of year	\$ 1,739,651	\$ 2,639,020

Shawanaga First Nation

Consolidated Statement of Cash Flows

Year Ended March 31

2019

2018
(Restated -
See Note 19)

Cash and cash equivalents derived from (applied to)

Operating transactions

Annual surplus	\$	476,827	\$	1,057,468
Non-cash changes to operations:				
Amortization of tangible capital assets		579,751		360,527
Loss (earnings) from investment in government business enterprise		56,619		(66,257)
Gain on disposal of tangible capital assets		17,344		-
Changes in non-cash working capital items:				
Receivables		(237,266)		(748,028)
Inventories		(69,820)		27,434
Prepays and deposits		(40,149)		(1,066)
Payables and accruals		254,548		217,635
Funding repayable		61,353		-
Deferred contributions		350,631		313,847
		<u>1,449,838</u>		<u>1,161,560</u>

Financing transactions

Repayment of long-term debt		(67,381)		(69,919)
Proceeds on issuance of long-term debt		182,400		-
Advances from related parties		44,234		-
Repayment of obligation under capital lease		(2,032)		(1,967)
		<u>157,221</u>		<u>(71,886)</u>

Investing transactions

Decrease (increase) in restricted cash		383,234		(180,671)
Distribution from investments		47,000		23,000
Payments received on mortgages receivable		33,859		43,633
Net advances of loan receivable		6,172		(4,882)
		<u>470,265</u>		<u>(118,920)</u>

Capital transactions

Purchase of tangible capital assets		(1,933,142)		(424,187)
		<u>(1,933,142)</u>		<u>(424,187)</u>

Net increase in cash and cash equivalents		144,182		546,567
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Cash and cash equivalents

Beginning of year		<u>1,784,379</u>		<u>1,237,812</u>
End of Year	\$	<u>1,928,561</u>		<u>1,784,379</u>

Shawanaga First Nation

Notes to the Consolidated Financial Statements

March 31, 2019

1. Nature of operations

The Shawanaga First Nation ("the First Nation") is a local government entity whose principal purpose is to provide for the well-being of its band members. The First Nation operates under the Indian Act.

2. Summary of significant accounting policies

Management responsibility

The consolidated financial statements of the First Nation are the representations of management. They have been prepared in accordance with Canadian generally accepted accounting principles for local governments, as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada.

Basis of consolidation

These consolidated financial statements reflect the assets, liabilities, revenues, expenses and accumulated surplus of the reporting entity. The reporting entity is comprised of all programs administered by the First Nation and all organizations controlled by the First Nation. These consolidated financial statements include the following organizations:

Shawanaga Retail GP Inc.
Shawanaga Retail LP
1582787 Ontario Ltd. (inactive)

Inter-organizational transactions and balances between these organizations are eliminated.

Revenue recognition

Gas and variety store sales are recognized when goods are sold. Interest and other income are recognized when earned.

Government transfers

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

Government transfers paid are recognized as an expense in the period the transfer is authorized and all eligible criteria have been met by the recipient.

Shawanaga First Nation

Notes to the Consolidated Financial Statements

March 31, 2019

2. Summary of significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances with banks and short term deposits with original maturities of three months or less. Bank borrowings are considered to be financing activities.

Inventories

Inventories are measured at the lower of cost and net realizable value, with cost being determined on the first-in, first-out basis. Cost includes all acquisition costs incurred in bringing inventory to its present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

Tangible capital assets

Tangible capital assets are capitalized at acquisition cost and are amortized over their expected useful life using the straight line method at the following rates:

Buildings	25 years
Water supply/distribution system	40 years
Equipment and furniture	5 years
Machinery and vehicles	5 years
Roads	20 years
School bus	5 years
Solar system	12 years

Tangible capital assets are written down when conditions indicate that they no longer contribute to the First Nation'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 consolidated statements of operations.

Contributed capital assets are recorded as revenue at their fair value on the date of donation, except in circumstances where fair value cannot be reasonably determined, in which case they are recognized at nominal value.

Certain assets which have historical or cultural value, including works of art, historical documents and historical and cultural artifacts, are not recognized as tangible capital assets.

Shawanaga First Nation

Notes to the Consolidated Financial Statements

March 31, 2019

2. Summary of significant accounting policies (continued)

Investments in government business enterprises

Government business enterprises are accounted for using the modified equity method. Under this method, the government business enterprise's accounting policies are not adjusted to conform with those of the First Nation and inter-organizational transactions and balances are not eliminated. The following government business enterprise is included in these financial statements:

Shwe Miikaan Limited Partnership

Interests in government business partnerships

Government business enterprises are accounted for using the modified equity method. Under this method, the government business enterprise's accounting policies are not adjusted to conform with those of the First Nation and inter-organizational transactions and balances are not eliminated.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are based on management's historical experience, best knowledge of current events and actions that the First Nation may undertake in the future. Significant accounting estimates include allowance for doubtful accounts and uncollectible loans, current year subsidy settlements payable and estimated useful lives of tangible capital assets. Actual results could differ from those estimates.

3. Restricted cash

Restricted cash of the Trust Fund relates to funds on deposit with Indigenous and Northern Affairs Canada generated from land that is leased to non-native parties and interest earned on the related lease rentals.

Restricted cash of the Casino Rama Fund consists of cash and term deposits and relates to funds received from the Ontario First Nations Limited Partnership that are unspent at year end.

Restricted cash of the Operating and Replacement Reserves consists of term deposits and is required to be maintained under the terms of an agreement with Canada Mortgage and Housing Corporation for the purpose of replacing items of a capital nature.

	<u>2019</u>	<u>2018</u>
Trust Fund	\$ 8,737	\$ 8,737
Casino Rama Fund	660,944	1,044,028
Operating Reserve	29,723	29,887
Replacement Reserve	69,928	69,914
	<u>\$ 769,332</u>	<u>\$ 1,152,566</u>

Restricted cash includes guaranteed investment certificates of \$6,682 (2018 - \$6,644) with an interest rate of 0.5% (2018 – 0.6%) and maturity dates ranging from September 2019 to March 2020.

Shawanaga First Nation

Notes to the Consolidated Financial Statements

March 31, 2019

4. Defined contribution pension plan

The First Nation maintains a defined contribution pension plan for its employees. The assets of the plan are held separately from those of the First Nation in an independently administered fund. Contributions paid and expensed by the First Nation amounted to \$83,609 (2018 - \$80,055).

5. Investment in government business enterprise

The First Nation owns a 33.333% interest in Shwe Miikaan Limited Partnership.

	<u>2019</u>	<u>2018</u>
Share of (loss) income	\$ (56,619)	\$ 66,257
Less: dividends received	<u>(47,000)</u>	<u>(23,000)</u>
Change in investment balance for the year	(103,619)	43,257
Investment balance, beginning of year	<u>547,901</u>	504,644
Investment balance, end of year	<u>\$ 444,282</u>	<u>\$ 547,901</u>

Condensed financial information in respect of Shwe Miikaan Limited Partnership for the years ended December 31 is provided below.

	<u>2018</u>	<u>2017</u>
Current assets	\$ 1,190,242	\$ 1,174,550
Advances to related parties	186,122	461,649
Property and equipment	<u>39,163</u>	<u>53,314</u>
	<u>\$ 1,415,527</u>	<u>\$ 1,689,513</u>
Liabilities	\$ 82,683	\$ 45,810
Capital	<u>1,332,844</u>	<u>1,643,703</u>
	<u>\$ 1,415,527</u>	<u>\$ 1,689,513</u>
Total revenue	\$ 512,771	\$ 869,706
Total expenses	<u>682,630</u>	<u>670,934</u>
Net (loss) income	<u>\$ (169,859)</u>	<u>\$ 198,772</u>

Shawanaga First Nation
Notes to the Consolidated Financial Statements

March 31, 2019

6. Tangible Capital Assets

	General				Infrastructure				2019	2018
	Land and land improvements	Machinery and vehicles	Equipment and furniture	Leased equipment	Buildings	Roads	Water and distribution systems	Construction in progress		
Cost										
Balance, beginning of year	\$ 50,000	\$ 978,398	\$ 885,304	\$ 54,710	\$ 1,735,186	\$ 104,471	\$ 2,509,817	\$ -	\$ 6,317,886	\$ 5,893,699
Add: additions during year	-	190,789	255,824	-	493,423	-	8,309	984,797	1,933,142	424,187
Less: disposals during year	-	-	(33,487)	-	-	-	-	-	(33,487)	-
Balance, end of year	<u>50,000</u>	<u>1,169,187</u>	<u>1,107,641</u>	<u>54,710</u>	<u>2,228,609</u>	<u>104,471</u>	<u>2,518,126</u>	<u>984,797</u>	<u>8,217,541</u>	<u>6,317,886</u>
Accumulated amortization										
Balance, beginning of year	-	752,660	648,089	54,710	1,133,132	27,800	1,052,965	-	3,669,356	3,308,829
Add: amortization during the year	-	217,969	193,774	-	99,831	5,224	62,953	-	579,751	360,527
Less: accumulated amortization on disposals	-	-	(16,143)	-	-	-	-	-	(16,143)	-
Balance, end of year	<u>-</u>	<u>970,629</u>	<u>825,720</u>	<u>54,710</u>	<u>1,232,963</u>	<u>33,024</u>	<u>1,115,918</u>	<u>-</u>	<u>4,232,964</u>	<u>3,669,356</u>
Net book value	<u>\$ 50,000</u>	<u>\$ 198,558</u>	<u>\$ 281,921</u>	<u>\$ -</u>	<u>\$ 995,646</u>	<u>\$ 71,447</u>	<u>\$ 1,402,208</u>	<u>\$ 984,797</u>	<u>\$ 3,984,577</u>	<u>\$ 2,648,530</u>

Shawanaga First Nation

Notes to the Consolidated Financial Statements

March 31, 2019

7. Deferred contributions

Deferred contributions represent government transfers for which the stipulations have not yet been met. The change in deferred contributions is as follows:

	Balance March 31, 2018	Funding Received	Expenditures	Balance March 31, 2019
Indigenous and Northern Affairs Canada				
ARK 19	\$ 348,884	\$ -	\$ 127,198	\$ 221,686
Capital program	33,574	649,668	172,125	511,117
Economic development program	1,914	44,550	46,464	-
General education program	89,074	412,711	341,868	159,917
Healing Centre - FNCFS prevention/least disruptive	42,100	219,230	194,203	67,127
Housing renovations	32,397	-	32,397	-
Land management	232,830	276,817	491,222	18,425
New paths program	1,356	92,950	67,058	27,248
Post secondary education program	41,168	304,875	247,743	98,300
Special education program	55,493	204,853	167,976	92,370
Tuition - elementary/secondary program	14,015	333,300	320,420	26,895
Water systems	-	83,340	83,340	-
	-	19,652	13,766	5,886
	<u>892,805</u>	<u>2,641,946</u>	<u>2,305,780</u>	<u>1,228,971</u>
Ministry of Community and Social Services				
Ontario Works	-	408,308	393,843	14,465
	<u>\$ 892,805</u>	<u>\$ 3,050,254</u>	<u>\$ 2,699,623</u>	<u>\$ 1,243,436</u>

8. Bank indebtedness

The First Nation has an operating line of credit with CIBC of \$100,000 (2018 - \$100,000), which is unused at March 31, 2019 (2018 - unused). As security, the First Nation has provided a general security agreement covering all assets of the First Nation. The line of credit bears interest at CIBC prime plus 1.5% per annum.

9. Contingencies

Where differences exist between the First Nation's net approved expenditures and their actual net expenditures, the resolution of these variances will be negotiated between the funding agency and the First Nation. Any resulting adjustment will be recognized in the year in which the changes are confirmed by the funding agency and will be recorded as a prior year settlement (recovery) on the Consolidated Statement of Operations.

Shawanaga First Nation

Notes to the Consolidated Financial Statements

March 31, 2019

10. Interests in government business partnerships

The First Nation has interests in the following government business partnerships:

	<u>2019</u>	<u>2018</u>
Feed-in-Tariff (FIT) partnerships:		
Hanover Solar	\$ -	\$ -
5868 Orr Lake	-	-
7550 Lasalle	-	-
Minten SFN	-	-
Boost Power II	-	-
Solblack SFN	-	-
Hay Bay Solar	-	-
Great West Energy	-	-
Great West Energy II	-	-
	<u>\$ -</u>	<u>\$ -</u>

The Feed-in-Tariff partnerships are government business partnerships that participate in approved renewable energy projects to supply electricity generated to the electricity distribution system. These investments are carried at \$Nil since the partnerships' financial statements have not been provided by the partners' and thus the First Nation's share of equity or income cannot be determined. Any distributions received from these partnerships are reported as income when received. Condensed supplementary financial information is not available for disclosure in these financial statements.

11. Related party transactions

At year-end, mortgage receivables of \$126,753 are due from two Council members.

At year-end, the amounts due to related parties were comprised of the following:

	<u>2019</u>	<u>2018</u>
Due to Shwe Miikaan Limited Partnership, a government business enterprise, non-interest bearing and without specified terms of repayment.	\$ 43,983	\$ -
Due to members of Chief and Council, non-interest bearing and without specified terms of repayment.	251	-
	<u>\$ 44,234</u>	<u>\$ -</u>

Shawanaga First Nation

Notes to the Consolidated Financial Statements

March 31, 2019

12. Long-term debt

	<u>2019</u>	<u>2018</u>
CMHC mortgage, bearing interest at 0.98% per annum, repayable in blended monthly instalments of \$1,645, maturing March 2025 and renewing March 2020. As security, Indigenous and Northern Affairs Canada has provided a loan guarantee.	\$ 292,449	\$ 308,995
CMHC mortgage, bearing interest at 1.98% per annum, repayable in blended monthly instalments of \$1,306, maturing April 2029 and renewing May 2019. As security, Indigenous and Northern Affairs Canada has provided a loan guarantee.	143,407	155,875
CMHC mortgage, bearing interest at 1.44% per annum, repayable in blended monthly instalments of \$1,782, maturing January 2032 and renewing February 2022. As security, Indigenous and Northern Affairs Canada has provided a loan guarantee.	250,811	268,158
Vehicle loan, bearing interest at 5.59% per annum, repayable in blended monthly instalments of \$398, maturing in October 2019. As security, the First Nation has pledged the vehicle to which the loan relates.	3,094	7,563
Loan payable, repaid in the year.	-	13,122
Loan payable, due May 2020, repayable in monthly installments of \$446 including interest of 3.62% per annum. As security, the First Nation has pledged the vehicle to which the loan relates.	6,101	11,058
CMHC mortgage bearing interest at 1.87% per annum, repayable in blended monthly instalments of \$14,652 effective May 2019, maturing April 2034. As security, Indigenous and Northern Affairs Canada has provided a loan guarantee. Subsequent to year end, the First Nation received the balance of the term loan in the amount of \$546,072.	183,928	-
	<u>\$ 879,790</u>	<u>\$ 764,771</u>

Principal repayments in each of the next five years are estimated as follows:

2020	\$ 99,714
2021	93,760
2022	94,423
2023	95,981
2024	97,560

Shawanaga First Nation

Notes to the Consolidated Financial Statements

March 31, 2019

13. Obligations under capital lease

The First Nation leases equipment under long term capital leases. Future minimum lease payments under lease obligations are as follows:

	<u>2019</u>	<u>2018</u>
2019	\$ -	\$ 2,160
2020	2,160	2,160
2021	720	720
Total minimum lease payments	<u>2,880</u>	<u>5,040</u>
Less: imputed interest at 3.27%	66	194
	<u>\$ 2,814</u>	<u>\$ 4,846</u>

14. Accumulated surplus

The First Nation uses fund accounting to account for activity related to the following funds:

- (a) The Band Operating Fund reports the accountable program activities of the First Nation administration, as well as the activities of the First Nation administration for which no external funding is received.
- (b) The Trust Fund reports trust funds owned by the First Nation that are held in trust by third parties.
- (c) The Capital Fund reports capital assets owned by the First Nation and financing related thereto.
- (d) The Casino Rama Fund reports the distributions received from Ontario First Nations Limited Partnership as a result of gaming revenues received by the Province of Ontario and expenditure of those distributions.
- (e) The Infrastructure Project Fund reports funds internally restricted by Council related to future projects to be undertaken by the First Nation.

Accumulated surplus consists of individual surpluses (deficits) as follows:

	<u>2019</u>	<u>2018</u>
Band operating fund	\$ 481,593	\$ 801,152
Investment in Shwe Miikaan LP	444,282	547,900
Capital fund	3,788,640	2,611,941
Casino Rama fund	741,648	1,044,027
CMHC reserves	186,007	160,323
Trust fund	8,737	8,737
Infrastructure project fund	125,000	125,000
	<u>\$ 5,775,907</u>	<u>\$ 5,299,080</u>

Shawanaga First Nation

Notes to the Consolidated Financial Statements

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15. Budget figures

The First Nation does not formally budget for all of its programs and as such, the scope of the financial activity reported in the First Nation's fiscal plan is not the same as that reported in the consolidated financial statements.

The comparison of budget and actual results in those programs that the First Nation includes in its fiscal plan is summarized as follows:

Statements of Operations and Accumulated Surplus	Budget	Actual
Revenue		
Government funding	\$ 5,380,625	\$ 6,195,782
Rental and other	448,074	555,231
Interest	5,131	24,023
Other	15,000	-
Loss on disposal of equipment	-	(17,344)
Loss from investment in government business enterprise	-	(56,619)
	<u>5,848,830</u>	<u>6,701,073</u>
Expenses		
Amortization	580,000	579,751
Administration	42,943	-
Advertising and promotion	5,213	4,372
Bad debts	5,000	4,554
Community services	52,953	137,884
Employee benefits	245,019	317,733
Equipment leasing	-	5,977
Food	1,500	15,803
Honorariums	66,000	63,194
Insurance	56,520	54,402
Interest and bank charges	6,535	14,244
Interest on long term debt	56,792	9,642
Meetings and travel	362,988	294,131
Miscellaneous and other	513,101	356,397
Office	154,474	137,272
Program costs and supplies	939,493	989,018
Professional fees and contract services	454,784	503,195
Repairs and maintenance	457,185	327,053
Salaries	1,879,679	1,811,288
Social assistance payments	-	231,227
Telephone and utilities	213,550	209,073
Training and workshops	87,885	163,578
Tuition and living allowance	568,300	522,021
Unresolved dispute	1,500	-
Vehicle operating and transportation	27,532	32,451
	<u>6,778,946</u>	<u>6,784,260</u>
Annual deficit before prior year subsidy settlements	(930,116)	(83,187)

Shawanaga First Nation

Notes to the Consolidated Financial Statements

March 31, 2019

15. Budget Figures (continued)

Annual deficit before prior year subsidy settlements	(930,116)	(83,187)
Prior year subsidy settlements	-	(13,682)
Annual deficit from operations	(930,116)	(96,869)
Road settlement payout - Hwy 7182	-	19,608
Community distribution - Henvey Inlet Wind Farm Transmission Line Settlement	-	(11,000)
Annual deficit	<u>\$ (930,116)</u>	<u>\$ (88,261)</u>

Statement of Change in Net Financial Assets	Budget	Actual
Annual deficit	\$ (930,116)	\$ (96,869)
Amortization of tangible capital assets	580,000	579,751
Acquisition of tangible capital assets	(38,739)	(1,614,885)
Change in prepaids and deposits	-	(40,149)
Increase (decrease) in net financial assets	<u>\$ (388,855)</u>	<u>\$ (1,172,152)</u>

The budget adopted for the current year was prepared on a modified accrual basis, and has been restated to conform with the accounting and reporting standards applicable to the actual results. A reconciliation of the adopted and reported budgets is presented below.

Adopted budget:

Increase in band operating fund deficiency	\$ (406,280)
Increase in Casino Rama Fund surplus	-

Adjustments:

Acquisition of tangible capital assets	38,739
Amortization of tangible capital assets	(580,000)
Debt repayments	17,425
	<u>\$ (930,116)</u>

Shawanaga First Nation

Notes to the Consolidated Financial Statements

March 31, 2019

(Restated - see
Note 20)

16. Government transfers	2019	2018
Transferor		
Aboriginal Healing and Wellness Strategy	\$ 484,261	\$ 433,397
Canada Housing and Mortgage Corporation	49,156	220,879
Department of Fisheries and Oceans	128,367	-
Environment Canada	30,831	-
First Nation Land Management Resource Centre Inc.	12,500	-
Gezhtoojig Employment and Training	46,924	82,406
Health Canada	566,915	400,334
Independent First Nations	438,052	392,177
Indigenous and Northern Affairs Canada	3,134,011	2,820,172
Industry Canada	-	21,668
Ministry of Community and Social Services	329,000	-
Ministry of Children and Youth Services	26,400	443,092
Ministry of Education	248,394	103,947
Ministry of Health and Long-Term Care	34,115	86,073
Ministry of Indigenous Affairs	90,000	90,000
Ministry of Transportation of Ontario	-	281,125
Ministry of Tourism, Culture and Sport	94,265	-
Ontario Library Service	13,669	13,669
Ontario First Nations (2008) Limited Partnership	803,419	632,594
Ontario Trillium Foundation	-	3,620
	<u>\$ 6,530,279</u>	<u>\$ 6,025,152</u>

17. Comparative figures

Certain prior year figures presented for comparative purposes have been reclassified to conform with the presentation adopted for the current year.

18. Mortgages receivable

The mortgages are interest bearing at 1.64%, except one mortgage which is non-interest bearing, receivable in monthly payments ranging from \$311 to \$505 and maturing in years ranging from 2021 to 2023.

Shawanaga First Nation

Notes to the Consolidated Financial Statements

March 31, 2019

19. Correction of prior period

In the prior year end, receivables and the related government transfer revenue for certain government funding were not recognized in the financial statements. The error was discovered in the current year and, as a result, the March 31, 2018 figures presented for comparative purposes have been retroactively restated from those previously reported as follows:

	As Previously Reported	Increase	As Restated
Statement of Financial Position			
Receivables	\$ 1,504,589	\$ 204,729	\$ 1,709,318
Net financial assets	2,434,291	204,729	2,639,020
Statements of Operations and Accumulated Surplus			
Government funding	5,820,423	204,729	6,025,152
Annual surplus	852,739	204,729	1,057,468
Accumulated surplus, end of year	5,094,351	204,729	5,299,080

20. Funding repayable

	2019	2018
Indigenous and Northern Affairs Canada	\$ 274,046	\$ 236,286
Health Canada	96,553	93,469
Environment Canada	8,372	-
Independent First Nation	84,511	84,511
Ministry of Education	4,427	8,074
Ministry of Health and Long-term Care	435	(7,107)
Ministry of Aboriginal Affairs	-	2,948
Ministry of Children and Youth Services	(740)	(698)
Ministry of Community and Social Services	11,232	-
	\$ 478,836	\$ 417,483

Shawanaga First Nation

Notes to the Consolidated Financial Statements

March 31, 2019

21. Segment information

The First Nation provides a wide range of services to its members and these services are provided through various programs. The schedule of segment disclosure provides a breakdown of the annual surplus (deficit) reported on the Consolidated Statement of Operations by major reporting segment. The segments correspond to the major functional categories used by the First Nation, which include the following activities:

Capital:

This segment reports the major capital projects and activities occurring in the First Nation during the year.

Community operations:

This segment includes housing, road maintenance, water, solid waste management, and fire protection services.

Economic development:

This segment reports the economic development activities of the First Nation, including programs such as fish harvesting, bush clearing as well as youth employment and other training programs.

Education:

This segment includes general and special education. This segment also includes service contracts with provincially funded area school boards which are entered into for secondary students. In addition, this segment includes the reimbursement of tuition costs and living and other allowances to students who are attending post-secondary institutions.

First Nation Administration:

This segment includes finance, band support and membership, and the governance activities of Chief and Council. This area oversees the delivery of all government services, including ensuring that adequate policies and procedures are in place to safeguard assets and to properly report financial activities.

Health services:

This segment reports the diverse range of services provided by the First Nation directed towards the wellbeing of its members including the delivery of programming such as early childhood development, nutrition, diabetes, mental health, healthy babies, victim services, home and community care and many other programs designed to enhance the health of its members.

Other:

The segment includes all the other programs provided by the First Nation that are ancillary to the core services of the First Nation. Some of the more significant programs include the library and annual Pow Wow.

Social services:

This segment includes the delivery of a variety of programming including Ontario Works, employment support services and national child benefit programs.

Shawanaga First Nation
Notes to the Consolidated Financial Statements

March 31, 2019

21. Segment information (continued)	2019								
	Capital	Community Operations	Economic Development	Education	First Nation Administration	Health Services	Other	Social Services	Total
Revenue									
Government funding	\$ 172,125	\$ 667,555	\$ 294,789	\$ 1,144,471	\$ 914,308	\$ 2,053,135	\$ 944,286	\$ 339,610	\$ 6,530,279
Sales	-	-	4,510,928	-	-	-	-	-	4,510,928
Rental and other	-	114,119	53,196	7,494	278,447	53,381	48,474	120	555,231
Interest	-	9,122	-	-	14,901	-	202	-	24,225
Gain on disposal of equipment	-	-	-	-	-	(17,344)	-	-	(17,344)
Loss from investment in government business enterprise	-	-	-	-	-	-	(56,619)	-	(56,619)
	<u>172,125</u>	<u>790,796</u>	<u>4,858,913</u>	<u>1,151,965</u>	<u>1,207,656</u>	<u>2,089,172</u>	<u>936,343</u>	<u>339,730</u>	<u>11,546,700</u>
Expenses									
Advertising and promotion	-	-	3,698	-	820	3,552	-	-	8,070
Amortization	-	403,520	49,026	56,541	-	66,914	3,750	-	579,751
Bad debts	-	-	-	-	4,554	-	-	-	4,554
Community services	-	-	-	-	24,456	-	113,428	-	137,884
Cost of sales	-	-	3,885,668	-	-	-	-	-	3,885,668
Employee benefits	-	12,039	20,744	39,734	159,440	89,077	517	11,645	333,196
Equipment leasing	-	-	12,525	-	5,977	-	-	-	18,502
Food	-	-	-	-	-	15,803	-	-	15,803
Honorariums	-	15,575	-	-	39,900	7,719	-	-	63,194
Insurance	-	18,689	4,809	4,287	25,710	5,360	-	-	58,855
Interest and bank charges	-	1,642	57,290	-	11,177	1,439	-	(14)	71,534
Interest on long-term debt	-	9,642	-	-	-	-	-	-	9,642
Meetings and travel	-	2,678	8,630	3,290	201,036	83,272	-	-	298,906
Miscellaneous and other	-	-	(31,287)	7,655	90,739	34,965	221,138	-	323,210
Office	-	5,882	20,628	13,776	92,242	19,133	-	6,238	157,899
Professional fees and contract services	-	4,000	-	-	411,800	49,668	39,886	-	505,354
Program costs and supplies	-	219,473	66,580	91,875	22,345	567,151	36,358	-	1,003,782
Repairs and maintenance	143,708	149,321	23,263	21,503	1,734	25,379	-	-	364,908
Salaries	-	218,802	334,799	295,264	568,367	566,591	4,935	60,154	2,048,912
Social assistance payments	-	-	-	-	-	-	-	231,227	231,227
Telephone and utilities	-	87,404	18,191	26,547	68,937	24,819	-	-	225,898
Training and workshops	-	-	53,230	13,062	9,724	54,225	-	33,337	163,578
Tuition and living allowance	-	-	-	522,021	-	-	-	-	522,021
Vehicle operating and transportation	-	17,889	-	11,934	2,628	-	-	-	32,451
	<u>143,708</u>	<u>1,166,556</u>	<u>4,527,794</u>	<u>1,107,489</u>	<u>1,741,586</u>	<u>1,615,067</u>	<u>420,012</u>	<u>342,587</u>	<u>11,064,799</u>
Annual surplus (deficit) before prior year subsidy settlements	28,417	(375,760)	331,119	44,476	(533,930)	474,105	516,331	(2,857)	481,901
Prior year subsidy settlements	-	-	(9,711)	27,969	(4,594)	(27,346)	-	-	(13,682)
Annual surplus (deficit) from operations	28,417	(375,760)	321,408	72,445	(538,524)	446,759	516,331	(2,857)	468,219
Road settlement distributions - Hwy 7182	-	-	-	-	-	-	19,608	-	19,608
Community Distribution - Henvey Inlet Wind Farm Transmission Line	-	-	-	-	-	-	(11,000)	-	(11,000)
Annual surplus (deficit)	<u>\$ 28,417</u>	<u>\$ (375,760)</u>	<u>\$ 321,408</u>	<u>\$ 72,445</u>	<u>\$ (538,524)</u>	<u>\$ 446,759</u>	<u>\$ 524,939</u>	<u>\$ (2,857)</u>	<u>\$ 476,827</u>

Shawanaga First Nation
Notes to the Consolidated Financial Statements

March 31, 2019

21. Segment information (continued)	2018								Total (Restated - see Note 20)
	Capital	Community Operations	Economic Development	Education	First Nation Administration	Health Services	Other	Social Services	
Revenue									
Government funding	\$ 207,902	\$ 826,517	\$ 81,342	\$ 1,258,883	\$ 1,650,796	\$ 1,564,469	\$ 75,539	\$ 359,704	\$ 6,025,152
Sales	-	-	3,707,475	-	-	-	-	-	3,707,475
Rental and other	-	102,024	9,491	50,873	97,530	12,741	1,436,244	5,531	1,714,434
Interest	-	9,146	-	-	8,793	-	-	-	17,939
Earnings from investment in government business enterprise	-	-	-	-	-	-	66,257	-	66,257
	<u>207,902</u>	<u>937,687</u>	<u>3,798,308</u>	<u>1,309,756</u>	<u>1,757,119</u>	<u>1,577,210</u>	<u>1,578,040</u>	<u>365,235</u>	<u>11,531,257</u>
Expenses									
Advertising and promotion	-	-	1,165	-	-	972	-	-	2,137
Allowances	-	-	-	123,835	-	-	-	-	123,835
Amortization	-	219,768	19,724	54,077	-	54,869	-	12,088	360,526
Bad debts	-	-	-	-	6,061	-	-	-	6,061
Bank charges and interest	-	336	50,014	-	8,389	1,260	-	317	60,316
Cash shortages	-	-	12,253	-	-	-	-	-	12,253
Communications	-	-	-	-	29,323	-	-	-	29,323
Employment related expenses	-	-	-	-	-	-	-	28,136	28,136
GST and sales tax (recovery)	-	-	(5,837)	-	-	-	-	-	(5,837)
Honouraria	-	2,964	-	-	45,150	3,579	20,780	-	72,473
Insurance	-	21,270	4,538	2,349	24,984	8,060	-	-	61,201
Interest on long-term debt	-	10,869	-	-	-	-	-	-	10,869
Materials	-	-	-	-	-	32,378	-	-	32,378
Meetings and travel	-	387	-	4,989	202,454	54,125	39,801	-	301,756
Miscellaneous and other	-	-	900	1,900	19,040	18,467	400	50	40,757
Office	-	4,710	25,665	11,957	76,762	92,304	4,378	5,946	221,722
Office equipment lease	-	-	-	-	5,029	-	-	-	5,029
OFNLP - Community development	-	-	-	-	233,868	-	-	-	233,868
OFNLP - Cultural development	-	-	-	-	33,763	-	-	-	33,763
OFNLP - Economic development	-	-	-	-	2,882	-	-	-	2,882
OFNLP - Education	-	-	-	-	2,275	-	-	-	2,275
OFNLP - Health	-	-	-	-	7,550	-	-	-	7,550
Pow Wow	-	-	-	-	-	-	10,888	-	10,888
Professional fees and contract services	-	10,505	7,703	15,930	190,780	79,789	248,852	-	553,559
Purchases for resale	-	-	3,207,807	-	-	-	-	-	3,207,807
Repairs and maintenance	67,183	299,124	23,655	11,050	8,240	2,643	55,715	-	467,610
Salaries	29,761	224,174	304,572	322,706	755,676	594,121	13,738	57,833	2,302,581
Social assistance payments	-	-	-	-	-	-	-	227,612	227,612
Supplies	-	131,496	14,840	83,411	35,096	309,659	3,629	2,100	580,231
Telephone	-	6,201	4,272	14,150	48,802	-	-	-	73,425
Training and workshops	-	2,253	492	15,299	19,539	5,877	-	14,395	57,855
Transitional funding expenditures	-	-	-	-	-	-	-	21,600	21,600
Transportation	-	-	-	-	26,745	-	-	-	26,745
Travel	-	911	2,809	3,324	1,376	19,294	-	-	27,714
Tuition and living allowance	-	-	-	458,501	-	-	-	-	458,501
Utilities	-	80,958	10,764	8,045	6,028	25,892	-	-	131,687
Vehicle operation	-	19,627	-	19,904	4,887	-	-	-	44,418
	<u>96,944</u>	<u>1,035,553</u>	<u>3,685,336</u>	<u>1,151,427</u>	<u>1,794,699</u>	<u>1,303,289</u>	<u>398,181</u>	<u>370,077</u>	<u>9,835,506</u>
Annual surplus (deficit) before prior year subsidy settlements	110,958	(97,866)	112,972	158,329	(37,580)	273,921	1,179,859	(4,842)	1,695,751
Prior year subsidy settlements	-	-	-	-	-	(20,283)	-	-	(20,283)
Annual surplus (deficit) from operations	110,958	(97,866)	112,972	158,329	(37,580)	253,638	1,179,859	(4,842)	1,675,468
Community Distribution - Henvey Inlet Wind Farm Transmission Line	-	-	-	-	-	-	(618,000)	-	(618,000)
Annual surplus (deficit)	<u>\$ 110,958</u>	<u>\$ (97,866)</u>	<u>\$ 112,972</u>	<u>\$ 158,329</u>	<u>\$ (37,580)</u>	<u>\$ 253,638</u>	<u>\$ 561,859</u>	<u>\$ (4,842)</u>	<u>\$ 1,057,468</u>