

INDIAN ISLAND FIRST NATION

**AUDITOR'S REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS**

MARCH 31, 2020

INDIAN ISLAND FIRST NATION

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MANAGEMENT'S REPORT
Year ended March 31, 2020

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

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board and CPA Canada and as such include amounts that are the best estimates and judgments of management.

Management is responsible for the integrity and objectivity of these statements and for implementing and maintaining a system of internal controls to provide a reasonable assurance that reliable financial information is produced.

The Indian Island First Nation's Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and is ultimately responsible for reviewing and approving the consolidated financial statements.

The Indian Island First Nation Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the consolidated financial statements and the external auditor's report.

The external auditors, Nadeau Picard & Associés, CPA, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of Indian Island First Nation and meet when required.

On behalf of Indian Island First Nation:

Chief _____

Councillor _____

Councillor _____

Date August 4, 2020



INDEPENDENT AUDITOR'S REPORT

To the Chief and Band Councillors

Opinion

We have audited the consolidated financial statements of Indian Island First Nation (First Nation), which comprise the consolidated statement of financial position as at March 31, 2020, and the consolidated statements of operations and changes in accumulated surplus, changes in net debt 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 consolidated financial position of the First Nation as at March 31, 2020, and the results of its consolidated operations and change in accumulated surplus, change in net debt and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the First Nation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

Without modifying our opinion, we draw attention to note 23 of the financial statements, saying that the budget figures are unaudited.

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

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

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



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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the First Nation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the First Nation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the First Nation to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the First Nation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the First Nation's 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.

Nadeau Picard & Associés, CPA

Nadeau Picard & Associés, CPA
Chartered Professional Accountants

Grand Falls, New Brunswick
August 4, 2020

CONSOLIDATED FINANCIAL POSITION
March 31

	2020	2019
FINANCIAL ASSETS		
Cash (note 2)	\$ 131,742	\$ 309,721
Due from government and accounts receivable (note 3)	1,500,302	1,080,721
Term deposit	-	1,000,000
Inventories for resale (note 5)	64,857	51,267
Restricted cash (note 6)	<u>292,813</u>	<u>266,694</u>
	<u>1,989,714</u>	<u>2,708,403</u>
LIABILITIES		
Accounts payable and accrued liabilities (note 8)	373,531	552,044
Due to government/other government organizations (note 9)	255,164	176,079
Trust funds held by ISC (note 4)	752	738
Deferred revenue (note 10)	862,787	934,207
Long-term debt (note 11)	<u>1,757,984</u>	<u>1,861,023</u>
	<u>3,250,218</u>	<u>3,524,091</u>
NET DEBT	<u>(1,260,504)</u>	<u>(815,688)</u>
NON FINANCIAL ASSETS		
Prepaid expenses (note 12)	241,486	180,832
Tangible capital assets (note 13)	7,451,322	6,159,262
Construction in progress (note 14)	<u>1,893,352</u>	<u>1,570,514</u>
	<u>9,586,160</u>	<u>7,910,608</u>
ACCUMULATED SURPLUS	<u>\$ 8,325,656</u>	<u>\$ 7,094,920</u>

APPROVED BY THE FIRST NATION

_____, Chief

_____, Councillor

_____, Councillor

CONSOLIDATED OPERATIONS AND CHANGES IN ACCUMULATED SURPLUS

Year ended March 31	2020 Budget (Unaudited)	2020 Actual	2019 Actual
REVENUE			
Federal government transfers for operating (note 21)	\$ 3,270,059	\$ 2,609,681	\$ 2,182,833
Federal government transfers for capital (note 21)	1,402,787	1,256,137	932,621
Provincial government transfers for operating (note 21)	280,296	227,351	157,125
Provincial government transfers for capital (note 21)	29,788	29,788	53,381
Rental income	100,000	103,126	100,386
Fisheries	2,080,000	2,231,459	2,070,273
Aquaculture	200,000	225,366	150,854
Tobacco sales	125,000	123,654	74,913
Fuel sales	40,000	32,737	-
Boat shop and consulting income	125,000	154,359	33,613
Other	<u>241,656</u>	<u>417,774</u>	<u>320,536</u>
	<u>7,894,586</u>	<u>7,411,432</u>	<u>6,076,535</u>
EXPENSES			
Economic Development	264,700	267,155	159,283
Education	753,874	690,946	611,297
Income Assistance	420,503	445,541	475,336
Assisted Living	30,700	64,147	33,928
Facilities - Operations and maintenance	99,029	146,612	83,250
Section 95 Social Housing Operation	58,206	234,451	241,304
Indian Government Support	1,687,460	1,134,115	890,158
Health	326,389	325,021	297,649
Aquaculture	172,259	188,639	169,624
Fisheries	1,615,086	1,708,625	1,551,420
Natural Resources	23,000	23,204	3,052
Consulting	174,329	319,734	107,772
Amortization	556,458	556,458	484,273
Loss on disposal of tangible capital assets	<u>-</u>	<u>76,048</u>	<u>11,900</u>
	<u>6,181,993</u>	<u>6,180,696</u>	<u>5,120,246</u>
ANNUAL SURPLUS	1,712,593	1,230,736	956,289
ACCUMULATED SURPLUS, BEGINNING OF PERIOD	<u>7,094,920</u>	<u>7,094,920</u>	<u>6,138,631</u>
ACCUMULATED SURPLUS, END OF PERIOD	<u>\$ 8,807,513</u>	<u>\$ 8,325,656</u>	<u>\$ 7,094,920</u>

CONSOLIDATED CHANGES IN NET DEBT
March 31

	2020	2019
ANNUAL SURPLUS	\$ <u>1,230,736</u>	\$ <u>956,289</u>
Tangible capital assets		
Acquisition of tangible capital assets	(1,936,584)	(1,528,329)
Amortization of tangible capital assets	556,458	484,273
Deposit on tangible capital assets	-	(147,330)
Loss on disposal of tangible capital assets	76,048	11,900
Proceeds on disposal of tangible capital assets	<u>12,019</u>	<u>-</u>
	<u>(1,292,059)</u>	<u>(884,826)</u>
Other non-financial assets		
Additions of construction in progress	(322,839)	(427,164)
Increase of prepaid expense	<u>(60,654)</u>	<u>(26,614)</u>
	<u>(383,493)</u>	<u>(453,778)</u>
CHANGE IN NET DEBT	(444,816)	(382,315)
NET DEBT, BEGINNING OF YEAR	<u>(815,688)</u>	<u>(433,373)</u>
NET DEBT, END OF YEAR	\$ <u><u>(1,260,504)</u></u>	\$ <u><u>(815,688)</u></u>

CONSOLIDATED CASH FLOWS**Year ended March 31****2020****2019****OPERATING ACTIVITIES**

Annual surplus	\$ 1,230,736	\$ 956,289
Add (deduct) non-cash items :		
Amortization	556,458	484,273
Loss on disposal of tangible capital assets	<u>76,048</u>	<u>11,900</u>
	1,863,242	1,452,462
Net change in non-cash working capital items		
Due from government and accounts receivable	(419,581)	(822,364)
Prepaid	(60,654)	(26,614)
Inventories	(13,591)	(12,859)
Accounts payable and accrued liabilities	(178,511)	172,261
Due to government and other government organizations	79,086	(136,209)
Deferred revenue	<u>(71,420)</u>	<u>314,913</u>
	<u>1,198,571</u>	<u>941,590</u>

FINANCING ACTIVITIES

Increase of long-term debt	-	124,600
Repayment of long-term debt	(103,040)	(114,933)
Transfer to the replacement reserve fund	<u>(26,105)</u>	<u>(25,407)</u>
	<u>(129,145)</u>	<u>(15,740)</u>

CAPITAL ACTIVITIES

Deposit on capital assets	-	147,330
Addition to capital assets	(1,936,584)	(1,528,329)
Proceeds from disposal of capital assets	12,018	-
Net increase in construction in progress	<u>(322,839)</u>	<u>(427,164)</u>
	<u>(2,247,405)</u>	<u>(1,808,163)</u>

INVESTING ACTIVITIES

Decrease of term deposit	<u>1,000,000</u>	<u>-</u>
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**DECREASE IN CASH AND CASH
EQUIVALENTS**

(177,979) (882,313)

CASH AND CASH EQUIVALENTS, BEGINNING309,721 1,192,034**CASH AND CASH EQUIVALENTS, ENDING**\$ 131,742 \$ 309,721

Cash and cash equivalents consist of the cash in operating accounts.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES**Nature of Operations**

Indian Island First Nation is a First Nation government that provides a wide range of services to the members of its community. By its nature, the entity is non-taxable. The entity is governed by a board of elected Chief and Council.

Basic of Accounting

These consolidated financial statements have been prepared by Band management in accordance with Canadian public sector accounting standards for government entities, as recommended by the Public Sector Accounting Board of CPA Canada.

a) Reporting Entity and Principles of Financial Reporting

The Indian Island First Nation reporting entity includes the Indian Island First Nation Government and all related entities which are accountable to the First Nation and are either owned or controlled by it.

These consolidated financial statements consolidate the assets, liabilities and results of operations for the following entities which use accounting principles that lend themselves to consolidation:

- Indian Island First Nation Government Administration
- Indian Island First Nation Trust Funds
- Indian Island Aquaculture Development Corporation
- Indian Island Economic Development Corporation
- Indian Island First Nation Consulting Corporation

All inter-entity balances have been eliminated on consolidation.

b) Inventories

Tobacco and fuel inventories are measured at the lower of cost and net realizable value. The cost is determined using the first-in, first-out method. Net realizable value is the estimated selling price in the ordinary course of business, less any applicable variable selling costs.

The livestock inventory costs such as purchases, salaries and others are expensed in the year incurred.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (continued)**c) Tangible capital assets**

Tangible capital assets include acquired, built, developed and improved tangible capital assets, whose useful life extends beyond one year and which are intended to be used on an ongoing basis for producing goods or delivering services.

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset.

Amortization is provided for on a straight line basis over their useful lives as follows:

Buildings	10-40 years
Roads and paving	20 years
Equipment and boat	2-10 years
Vehicle	5 years
Windtower	20-40 years

Tangible capital assets are written down when conditions indicate that they no longer contribute to Indian Island 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 statement of operations.

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. Assets under construction are not amortized until the asset is available to be put into service.

d) Cash and Cash Equivalents

The First Nation's policy is to disclose bank balances under cash and cash equivalents, including bank overdrafts with balances that fluctuate frequently from being positive to overdrawn and term deposits with a maturity period of three months or less from the date of acquisition. Cash and cash equivalents that the First Nation cannot use for current transactions because they are pledged as security are also excluded from cash and cash equivalents.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (continued)**e) Revenue Recognition**

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Government transfers 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 revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Contributions from other sources are deferred when restrictions are placed on their use by the contributor and are recognized as revenue when used for the specific purpose.

Revenue related to fees or services received in advance of the fee being earned or the service is performed is deferred and recognized when the fee is earned or service performed.

f) Financial Instruments

The First Nation's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, due to government and other government organizations and long term debt. The fair value of these financial instruments approximate their carrying values unless otherwise noted.

g) Use of estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting periods presented. Actual results could differ from these estimates. The main estimates relate to the useful life of capital assets.

h) Trust Funds

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (continued)**i) Segmented Information**

The First Nation discloses segmented results of operations for the year in note 22 to the consolidated financial statements. The First Nation has segregated its activities into the following segments based on distinguishable groups of activities:

Economic Development

Contains activities of the economic development program. The First Nation is currently working on a windtower project.

Education

Provides elementary, secondary and post-secondary tuition for qualifying members along with related programs and support.

Social

Provides social assistance to qualifying members. It also includes the section 95 housing and related expenditures.

Health

Contains activities that provide medical services to band members.

Public Works

Contains all activities that relate to the maintenance of buildings and land of the First Nation.

Band Government

Includes all other activities not described in another fund. Mainly centralized and shared activities.

Other

Includes the forestry, aquaculture, fisheries and consulting activities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31
2020**2019****2. CASH**

Cash in operating accounts	\$ <u>131,742</u>	\$ <u>309,721</u>
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3. DUE FROM GOVERNMENT AND ACCOUNTS RECEIVABLE**Due from Government and Other Government Organizations**

Fisheries and Oceans Canada	\$ 285,958	\$ 321,262
Indigenous Services Canada	920,245	505,707
Health Canada	-	44,100
Canada Mortgage and Housing Corporation	20,890	51,171
Provincial Government	<u>22,683</u>	<u>59,695</u>
	1,249,776	981,935

Accounts receivable

Clients	92,718	-
Other receivables	<u>157,808</u>	<u>98,786</u>
	<u>250,526</u>	<u>98,786</u>
	\$ <u>1,500,302</u>	\$ <u>1,080,721</u>

4. OTTAWA TRUST MONEYS

The Ottawa Trust accounts arise from monies derived from capital or revenue sources as outlined in Section 62 of the Indian Act. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada and are subject to audit by the Office of the Auditor General of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act.

	Beginning balance	Additions	Withdrawals	Ending balance
Trust - capital	\$ 142	\$ -	\$ -	\$ 142
Trust - revenue	<u>596</u>	<u>14</u>	<u>-</u>	<u>610</u>
Total	<u>\$ 738</u>	<u>\$ 14</u>	<u>\$ -</u>	<u>\$ 752</u>

5. INVENTORIES FOR RESALE

Tobacco	\$ 59,592	\$ 51,267
Fuel	<u>5,265</u>	<u>-</u>
	<u>\$ 64,857</u>	<u>\$ 51,267</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31

2020

2019

6. RESTRICTED CASH

Cash in Ottawa Trusts	\$	752	\$	738
Replacement reserve fund - restricted		<u>292,061</u>		<u>265,956</u>
	\$	<u>292,813</u>	\$	<u>266,694</u>

Under the terms of an agreement with Canada Mortgage and Housing Corporation, Indian Island First Nation 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 otherwise approved by the Canada Mortgage and Housing Corporation. Under CMHC requirements the amount of cash which should be held in a separate account for Replacement and Operating reserves should total \$309,080. The actual balance in the account is \$292,061.

7. BANK LOAN

The First Nation has an authorized line of credit of \$250,000, bearing interest at prime rate plus 2.50%. The line of credit is secured by an assignment on accounts receivable that have a net carrying value of \$1,500,302 (2019 - \$1,080,721)

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Suppliers	\$	321,442	\$	482,696
Payroll deductions		16,644		12,589
Sales tax		6,091		26,900
Accrued expenses		<u>29,354</u>		<u>29,859</u>
	\$	<u>373,531</u>	\$	<u>552,044</u>

A separate bank account is not used for the purpose of payroll deductions. All payroll deductions were remitted before year-end except for those above remitted in April 2020.

9. DUE TO GOVERNMENT AND OTHER GOVERNMENT ORGANIZATIONS

Federal government - ISC	\$	5,999	\$	49,835
Provincial government		<u>249,165</u>		<u>126,244</u>
	\$	<u>255,164</u>	\$	<u>176,079</u>

NOTES TO FINANCIAL STATEMENTS

10. DEFERRED REVENUE

	Balance Beginning of year	Amount of funding received	Amount recognized as revenue	Balance end of year
<u>Federal Government</u>				
ISC - Mitigation	\$ 285,758	\$ -	\$ 8,459	\$ 277,299
ISC - Recovery	471,673	-	471,673	-
ISC - Skill Link Prog	60,000	-	60,000	-
ISC - Housing	-	50,000	10,158	39,842
ISC - Family Violence	-	25,000	18,501	6,499
ISC - Emergency Mgmt Assistance	-	1,242,325	768,692	473,633
ISC - Youth Emplmt Strategy	-	87,780	85,080	2,700
ISC - Health Canada	-	319,039	314,749	4,290
Health Canada - Medical Service - Capital Investments	110,735	-	110,735	-
Employment and Social Development Canada	<u>-</u>	<u>50,393</u>	<u>11,375</u>	<u>39,018</u>
Total Federal Government	928,166	165,804	775,981	843,281
<u>Other</u>				
North Shore Micmac District	3,835	104,614	101,400	7,049
Enhanced First Nation Education Program	-	64,605	55,948	8,657
Other	<u>2,206</u>	<u>12,100</u>	<u>10,506</u>	<u>3,800</u>
Total Other	<u>6,041</u>	<u>116,714</u>	<u>111,906</u>	<u>19,506</u>
Total	<u>\$ 934,207</u>	<u>\$ 282,518</u>	<u>\$ 887,887</u>	<u>\$ 862,787</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31

2020

2019

11. LONG-TERM DEBT

Loan paid during the year	\$ -	\$ 6,351
Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$427 including capital and interest at the rate of 1.12%, maturing in 2035, renewable in August 2020, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on one housing unit	69,948	74,258
Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$260 including capital and interest at the rate of 0.76%, maturing in 2025, renewable in October 2020, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on one housing unit	14,824	17,799
Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$388 including capital and interest at the rate of 0.64%, maturing in 2040, renewable in November 2020, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on one housing unit	88,084	91,908
Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$278 including capital and interest at the rate of 1.01%, maturing in November 2020, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on one housing unit	2,213	5,506
Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$482 including capital and interest at the rate of 1.01%, maturing in 2041, renewable in February 2021, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on one housing unit	109,029	113,686
Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$259 including capital and interest at the rate of 1.11%, maturing in 2026, renewable in April 2021, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on one housing unit	<u>17,566</u>	<u>20,465</u>
Subtotal carried forward	\$ 301,664	\$ 329,973

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31

2020

2019

11. LONG-TERM DEBT (continued)

Subtotal from previous page	\$	301,664	\$	329,973
Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$292 including capital and interest at the rate of 1.11%, maturing in 2031, renewable in April 2021, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on one housing unit		36,591		39,676
Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$426 including capital and interest at the rate of 1.14%, maturing in 2036, renewable in June 2021, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on one housing unit		76,212		80,432
Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$259 including capital and interest at the rate of 1.03%, maturing in August 2021, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on one housing unit		4,375		7,426
Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$280 including capital and interest at the rate of 1.31%, maturing in November 2021, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on one housing unit		5,529		8,789
Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$514 including capital and interest at the rate of 1.31%, maturing in 2041, renewable in December 2021, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on one housing unit		116,730		121,337
Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$445 including capital and interest at the rate of 1.48%, maturing in 2037, renewable in January 2022, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on one housing unit		<u>81,224</u>		<u>85,441</u>
Subtotal carried forward	\$	622,325	\$	673,074

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31

2020

2019

11. LONG-TERM DEBT (continued)

Subtotal from previous page	\$	622,325	\$	673,074
Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$479 including capital and interest at the rate of 1.48%, maturing in 2042, renewable in January 2022, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on one housing unit		107,127		111,252
Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$315 including capital and interest at the rate of 1.44%, maturing in 2032, renewable in February 2022, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on one housing unit		41,098		44,260
Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$454 including capital and interest at the rate of 1.43%, maturing in 2037, renewable in April 2022, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on one housing unit		82,220		86,461
Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$476 including capital and interest at the rate of 1.43%, maturing in 2042, renewable in April 2022, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on one housing unit		108,101		112,234
Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$313 including capital and interest at the rate of 1.30%, maturing in 2032, renewable in June 2022, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on one housing unit		41,984		45,171
Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$267 including capital and interest at the rate of 1.84%, maturing in September 2022, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on one housing unit		<u>7,811</u>		<u>10,837</u>
Subtotal carried forward	\$	1,010,666	\$	1,083,289

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31

2020

2019

11. LONG-TERM DEBT (continued)

Subtotal from previous page	\$ 1,010,666	\$ 1,083,289
Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$301 including capital and interest at the rate of 1.84%, maturing in 2027, renewable in September 2022, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on one housing unit	25,271	28,385
Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$591 including capital and interest at the rate of 1.97%, maturing in 2042, renewable in December 2022, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on one housing unit	130,015	134,500
Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$338 including capital and interest at the rate of 2.39%, maturing in 2033, renewable in March 2023, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on one housing unit	44,846	47,797
Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$587 including capital and interest at the rate of 2.49%, maturing in 2038, renewable in May 2023, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on on housing unit.	102,972	107,399
Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$587 including capital and interest at the rate of 2.49%, maturing in 2038, renewable in May 2023, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on on housing unit.	132,008	124,600
Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$303 including capital and interest at the rate of 2.52%, maturing in 2028, renewable in September 2023, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on one housing unit	<u>27,536</u>	<u>30,437</u>
Subtotal carried forward	\$ 1,473,314	\$ 1,556,407

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31

2020

2019

11. LONG-TERM DEBT (continued)

Subtotal from previous page	\$ 1,473,314	\$ 1,556,407
Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$414 including capital and interest at the rate of 2.22%, maturing in 2033, renewable in January 2024, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on one housing unit	58,263	61,898
Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$252 including capital and interest at the rate of 1.86%, maturing in March 2024, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on one housing unit	11,640	14,416
Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$283 including capital and interest at the rate of 1.86%, maturing in 2029, renewable in April 2024, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on one housing unit	27,848	30,692
Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$427 including capital and interest at the rate of 1.87%, maturing in 2039, renewable in May 2024, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on one housing unit	82,569	86,110
Loan, secured by a first mortgage on buildings, repayable by monthly instalments of \$268 including capital and interest at the rate of 0.69%, maturing in 2030, renewable in September 2024, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on one housing unit	31,589	34,461
Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$422 including capital and interest at the rate of 0.69%, maturing in 2035, renewable in June 2025, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on one housing unit	<u>72,761</u>	<u>77,039</u>
	<u>\$ 1,757,984</u>	<u>\$ 1,861,023</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31**2020****2019**

11. LONG-TERM DEBT (continued)

Estimated long-term debt principal repayments to be made during the next five years are :

2021 : \$113,625
 2022 : \$109,983
 2023 : \$106,483
 2024 : \$106,486
 2025 : \$104,538

The interest expense for the year on long-term debt was \$28,690 (2018 - \$27,819)

12. PREPAID EXPENSES

Tuition fees	\$ 149,499	\$ 129,566
Insurance	45,110	1,932
Lease	41,700	47,100
Other	<u>5,177</u>	<u>2,234</u>
	<u>\$ 241,486</u>	<u>\$ 180,832</u>

NOTES TO FINANCIAL STATEMENTS

13. TANGIBLE CAPITAL ASSETS

	Land and Buildings	Roads and Paving	Equipment and boat	Vehicle	Total 2020	Total 2019
Cost						
Opening balance	\$ 7,726,345	\$ 740,686	\$ 1,591,417	\$ 170,818	\$ 10,229,266	\$ 8,760,133
Additions	1,303,901	-	549,933	82,750	1,936,584	1,528,329
Disposals	<u>(260,550)</u>	<u>-</u>	<u>(72,029)</u>	<u>(3,995)</u>	<u>(336,574)</u>	<u>(59,196)</u>
Closing balance	<u>8,769,696</u>	<u>740,686</u>	<u>2,069,321</u>	<u>249,573</u>	<u>11,829,276</u>	<u>10,229,266</u>
Accumulated Amortization						
Opening balance	2,968,114	215,287	810,997	75,606	4,070,004	3,633,027
Amortization	298,703	16,609	202,088	39,058	556,458	484,273
Accumulated amortization on disposals	<u>(172,484)</u>	<u>-</u>	<u>(72,029)</u>	<u>(3,995)</u>	<u>(248,508)</u>	<u>(47,296)</u>
Closing balance	<u>3,094,333</u>	<u>231,896</u>	<u>941,056</u>	<u>110,669</u>	<u>4,377,954</u>	<u>4,070,004</u>
Net book value	<u>\$ 5,675,363</u>	<u>\$ 508,790</u>	<u>\$ 1,128,265</u>	<u>\$ 138,904</u>	<u>\$ 7,451,322</u>	<u>\$ 6,159,262</u>
Opening net book value	4,758,231	525,399	780,420	95,212	6,159,262	5,127,106
Closing net book value	<u>5,675,363</u>	<u>508,790</u>	<u>1,128,265</u>	<u>138,904</u>	<u>7,451,322</u>	<u>6,159,262</u>
Increase (decrease) in net book value	<u>\$ 917,132</u>	<u>\$ (16,609)</u>	<u>\$ 347,845</u>	<u>\$ 43,692</u>	<u>\$ 1,292,060</u>	<u>\$ 1,032,156</u>

14. CONSTRUCTION IN PROGRESS

Construction in progress consists of the development costs for a windtower project, an oyster holding facility, a boat and a house. These projects are still on-going as of March 31, 2020.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15. ECONOMIC DEPENDENCE

Indian Island First Nation receives a major portion of its revenues pursuant to a funding arrangement with Indigenous Services Canada. The nature and extent of this revenue is of such significance that the First Nation is economically dependent on this source of revenue.

16. PENSION AGREEMENT

The First Nation provides defined contribution plan for eligible members of its staff. Members are required to contribute 9% of their salary. The First Nation contributes 9% which contributions are directed to the member's contribution account. The amount of retirement benefit to be received by the employees will be the amount of retirement annuity that could be purchased based on the member's share of the pension plan at the time of the member's withdrawal from the plan. Indian Island First Nation contributed during the year \$28,674 (2019 - \$27,107) for retirement benefits.

17. FAIR VALUE AND RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES**a) Fair value of Financial Assets and Liabilities**

The carrying value of cash, accounts receivable, accounts payable and accrued liabilities, due to Government and other Government Organizations approximates fair market value due to their short-term nature.

The carrying value of the long-term debt at the balance sheet date is a fair representation of the present value of future cash flows given that the interest rate risk is protected by an agreement with CMHC for the majority of the long-term debt.

b) Credit Risk

Credit risk is the risk that a counterparty will default on its financial liabilities.

Financial assets which potentially subject the First Nation to credit risk and concentrations of credit risk consist principally of cash and accounts receivable.

Management manages credit risk associated with accounts receivable by pursuing collections when they are due.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

17. FAIR VALUE AND RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES
(continued)
c) Interest Rate Risk

The First Nation is exposed to interest rate risk on its fixed and variable interest rate financial instruments. Fixed-interest instruments subject the First Nation to a fair value risk while the variable-rate instruments subject it to a cash flow risk.

18. CONTINGENT LIABILITIES

Indian Island First Nation has entered into contribution agreements with various federal government departments. Funding received under these contribution agreements is subject to repayment if the First Nation fails to comply with the terms and conditions of the agreements.

In addition, in the normal course of its operations, Indian Island First Nation becomes involved in legal actions. Some of these potential liabilities may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and expense recorded on Indian Island First Nation's financial statements.

19. EXPENSES BY OBJECT

	<u>2020</u>	<u>2019</u>
The following is a summary of expenses by object:		
Wages & employee benefits	\$ 1,269,866	\$ 953,031
Fees and contract services	621,564	527,843
Insurance	60,148	42,982
Interest	38,652	36,955
Office supplies and equipment	79,377	57,511
Professional services	27,860	27,720
Repairs & maintenance	238,104	151,821
Supplies & services	463,421	250,853
Telephone	13,758	9,285
Travel	56,158	83,452
Tuition	500,545	431,886
Utilities	311,414	303,695
Other	1,943,371	1,758,939
Amortization	556,458	484,273
	<u>\$ 6,180,696</u>	<u>\$ 5,120,246</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

20. RECONCILIATION OF INDIGENOUS SERVICES CANADA (ISC) FUNDING

ISC funding per consolidated financial statements	\$ 3,216,763
Less: Deferred revenue - Skill Link Program	60,000
Deferred revenue - Mitigation	285,758
Deferred revenue - Recovery	471,673
Deferred revenue - Health	110,735
Accounts receivable - Response (Amendment #59)	268,350
Accounts receivable - Education	68,659
Adjustment for prior years for Education	<u>47,566</u>
	<u>1,312,741</u>
Plus: Deferred revenue - Family Violence	6,499
Deferred revenue - Youth Emplmt Strategy	2,700
Deferred revenue - Emergency Mgmt Assistance	473,634
Deferred revenue - Mitigation	277,299
Deferred revenue - Housing - Budget 2017	39,842
Deferred revenue - Health	4,290
Accounts receivable - Response (Amendment #45)	325,684
Clawback for Health	<u>11,312</u>
	<u>1,141,260</u>
Funding per ISC revenue confirmation	<u>\$ 3,045,282</u>

21. GOVERNMENT TRANSFERS

	<u>Operating</u>	<u>Capital</u>	<u>2020</u> <u>Total</u>
Federal government transfers			
Indigenous Services Canada	\$ 2,056,259	\$ 738,982	\$ 2,795,241
Health Canada	316,100	105,422	421,522
Canada Mortgage and Housing Corporation	87,351	16,000	103,351
Department of Fisheries and Oceans	116,596	361,539	478,135
Employment and Social Development Canada	33,375	-	33,375
Atlantic Canada Opportunities Agency	-	34,194	34,194
	<u>2,609,681</u>	<u>1,256,137</u>	<u>3,865,818</u>
Provincial government transfers	<u>227,351</u>	<u>29,788</u>	<u>257,139</u>
	<u>\$ 2,837,032</u>	<u>\$ 1,285,925</u>	<u>\$ 4,122,957</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

21. GOVERNMENT TRANSFERS (continued)

	<u>Operating</u>	<u>Capital</u>	<u>2019 Total</u>
Federal government transfers			
Indigenous Services Canada	\$ 1,655,017	\$ 301,728	\$ 1,956,745
Health Canada	290,095	-	290,095
Canada Mortgage and Housing Corporation	116,164	27,750	143,914
Department of Fisheries and Oceans	118,257	603,143	721,400
Canadian Heritage	3,300	-	3,300
	<u>2,182,833</u>	<u>932,621</u>	<u>3,115,454</u>
Provincial government transfers			
	<u>157,125</u>	<u>53,381</u>	<u>210,506</u>
	<u>\$ 2,339,958</u>	<u>\$ 986,002</u>	<u>\$ 3,325,960</u>

NOTES TO FINANCIAL STATEMENTS

22. SEGMENT DISCLOSURE

Indian Island First Nation provides a range of services to its members. For each segment separately reported, the segment revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The presentation by segment is based on the same accounting policies as described in the summary of significant accounting policies in Note 1. The segment results for the period are as follows :

	Economic Development		Education		Social Assistance		Health	
	2020	2019	2020	2019	2020	2019	2020	2019
Revenues								
Federal Government	\$ -	\$ -	\$ 666,328	\$ 546,086	\$ 523,854	\$ 561,943	\$ 421,522	\$ 290,095
Provincial Government	98,928	60,998	55,948	26,468	-	-	-	-
Other revenue	<u>194,391</u>	<u>112,913</u>	<u>71,956</u>	<u>87,652</u>	<u>103,126</u>	<u>100,386</u>	<u>-</u>	<u>-</u>
Total revenue	<u>293,319</u>	<u>173,911</u>	<u>794,232</u>	<u>660,206</u>	<u>626,980</u>	<u>662,329</u>	<u>421,522</u>	<u>290,095</u>
Expenses								
Salaries and benefits	38,761	38,000	112,095	104,603	22,284	32,703	250,221	229,663
Amortization	5,302	-	-	-	73,859	61,408	-	-
Debt servicing	-	-	-	-	28,690	27,819	-	-
Other expenses	<u>228,394</u>	<u>121,283</u>	<u>578,851</u>	<u>506,694</u>	<u>628,469</u>	<u>628,926</u>	<u>74,800</u>	<u>67,986</u>
Total expenses	<u>272,457</u>	<u>159,283</u>	<u>690,946</u>	<u>611,297</u>	<u>753,302</u>	<u>750,856</u>	<u>325,021</u>	<u>297,649</u>
Annual surplus (deficit)	<u>\$ 20,862</u>	<u>\$ 14,628</u>	<u>\$ 103,286</u>	<u>\$ 48,909</u>	<u>\$ (126,322)</u>	<u>\$ (88,527)</u>	<u>\$ 96,501</u>	<u>\$ (7,554)</u>

NOTES TO FINANCIAL STATEMENTS

22. SEGMENT DISCLOSURE (continued)

	Public Works		Band Government		Other		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Revenues								
Federal Government	\$ 32,112	\$ 35,781	\$ 1,709,674	\$ 802,649	\$ 512,328	\$ 878,900	\$ 3,865,818	\$ 3,115,454
Provincial Government	-	-	-	24,500	102,263	98,540	257,139	210,506
Other revenue	-	-	256,914	137,310	2,662,088	2,312,314	3,288,475	2,750,575
Total revenue	<u>32,112</u>	<u>35,781</u>	<u>1,966,588</u>	<u>964,459</u>	<u>3,276,679</u>	<u>3,289,754</u>	<u>7,411,432</u>	<u>6,076,535</u>
Expenses								
Salaries and benefits	17,576	17,421	401,866	234,387	427,063	296,254	1,269,866	953,031
Amortization	-	-	262,291	261,017	215,006	161,848	556,458	484,273
Debt servicing	-	-	-	-	-	-	28,690	27,819
Other expenses	129,036	65,829	885,011	716,890	1,801,121	1,547,515	4,325,682	3,655,123
Total expenses	<u>146,612</u>	<u>83,250</u>	<u>1,549,168</u>	<u>1,212,294</u>	<u>2,443,190</u>	<u>2,005,617</u>	<u>6,180,696</u>	<u>5,120,246</u>
Annual surplus (deficit)	<u>\$ (114,500)</u>	<u>\$ (47,469)</u>	<u>\$ 417,420</u>	<u>\$ (247,835)</u>	<u>\$ 833,489</u>	<u>\$ 1,284,137</u>	<u>\$ 1,230,736</u>	<u>\$ 956,289</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

23. BUDGETED FIGURES

Unaudited budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the Chief and Council.

24. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the presentation used in the current year.