

**Matawa First Nations Management**  
**Consolidated Financial Statements**  
*March 31, 2019*

# Matawa First Nations Management Contents

*For the year ended March 31, 2019*

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## **Management's Responsibility**

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To the Members and Board of Directors of Matawa First Nations Management:

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 accounting standards for not-for-profit organizations and ensuring that all information in the annual report is consistent with the consolidated statements. 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 Board of Directors and Executive Committee are composed primarily of Directors who are neither management nor employees of the Organization. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Organization's external auditors.

MNP LLP is appointed by the Board 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 Board and management to discuss their audit findings.

July 19, 2019



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Chief Executive Officer

# Independent Auditor's Report

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To the Members and Board of Directors of Matawa First Nations Management:

## Opinion

We have audited the consolidated financial statements of Matawa First Nations Management (the "Organization"), which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statements of operations, changes in fund balances and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organization as at March 31, 2019, and the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

## 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 Organization in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

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

## Auditor's Responsibilities for the Audit of the 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 Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Organization 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 Organization 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.

Thunder Bay, Ontario

July 19, 2019

*MNP LLP*

Chartered Professional Accountants

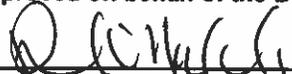
Licensed Public Accountants

**Matawa First Nations Management**  
**Consolidated Statement of Financial Position**

*As at March 31, 2019*

	<i>Matawa Operating</i>	<i>Matawa Restricted</i>	<i>Matawa Capital</i>	<i>2019</i>	<i>2018</i>
<b>Assets</b>					
<b>Current</b>					
Cash	12,183,325	-	-	12,183,325	7,835,948
Restricted cash (Note 3)	15,002	-	-	15,002	15,002
Marketable securities (Note 4)	-	186,238	-	186,238	180,587
Accounts receivable (Note 5), (Note 6)	6,201,433	1,044,002	-	7,245,435	6,609,807
Government remittances receivable	1,388,076	-	-	1,388,076	853,988
Prepaid expenses and deposits	476,955	-	-	476,955	507,382
	<b>20,264,791</b>	<b>1,230,240</b>	<b>-</b>	<b>21,495,031</b>	<b>16,002,714</b>
Capital assets (Note 7)	-	-	9,564,317	9,564,317	6,393,429
Long-term investments (Note 8)	2	-	-	2	2
	<b>20,264,793</b>	<b>1,230,240</b>	<b>9,564,317</b>	<b>31,059,350</b>	<b>22,396,145</b>
<b>Liabilities</b>					
<b>Current</b>					
Accounts payable and accruals (Note 6)	8,506,780	-	323,012	8,829,792	6,179,837
Government remittances payable	205,241	-	-	205,241	113,891
Deferred revenue (Note 10)	12,173,720	237,450	-	12,411,170	10,122,389
Due to Operating Fund	(686,675)	686,675	-	-	-
Current portion of long-term debt (Note 11)	65,565	-	66,664	132,229	128,106
Deferred contributions related to capital assets (Note 12)	-	-	112,130	112,130	116,954
	<b>20,264,631</b>	<b>924,125</b>	<b>501,806</b>	<b>21,690,562</b>	<b>16,661,177</b>
Long-term debt (Note 11)	977,135	-	830,779	1,807,914	1,940,267
Deferred contributions related to capital assets (Note 12)	-	-	6,222,041	6,222,041	3,070,952
Contingencies (Note 13)					
<b>Fund Balances</b>					
Fund Balances	(976,973)	306,115	2,009,691	1,338,833	723,749
	<b>20,264,793</b>	<b>1,230,240</b>	<b>9,564,317</b>	<b>31,059,350</b>	<b>22,396,145</b>

Approved on behalf of the Board

  
Director

  
Director

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

## Matawa First Nations Management Consolidated Statement of Operations

*For the year ended March 31, 2019*

	Matawa Operating	Matawa Restricted	Matawa Capital	2019	2018
<b>Revenue</b>					
Federal Government (Note 16)	25,242,904	-	-	25,242,904	21,237,358
Provincial Government (Note 16)	11,622,151	-	-	11,622,151	12,790,529
First Nations and Organizations (Note 16), (Note 17)	2,198,309	1,327,889	-	3,526,198	3,071,870
Other (Note 16)	1,533,023	19,693	-	1,552,716	1,967,334
Amortization of deferred capital contributions (Note 12)	-	-	183,606	183,606	122,045
Less: funding repayable	(279,208)	-	-	(279,208)	(499,972)
	<b>40,317,179</b>	<b>1,347,582</b>	<b>183,606</b>	<b>41,848,367</b>	<b>38,689,164</b>
<b>Net transfers to deferred revenue</b> (Note 10), (Note 12)	<b>(5,623,032)</b>	<b>(74,006)</b>	<b>-</b>	<b>(5,697,038)</b>	<b>(7,603,720)</b>
<b>Total revenue</b>	<b>34,694,147</b>	<b>1,273,576</b>	<b>183,606</b>	<b>36,151,329</b>	<b>31,085,444</b>
<b>First Nation Project Contributions</b> (Note 17)	<b>2,699,131</b>	<b>-</b>	<b>-</b>	<b>2,699,131</b>	<b>5,155,404</b>
	<b>31,995,016</b>	<b>1,273,576</b>	<b>183,606</b>	<b>33,452,198</b>	<b>25,930,040</b>
<b>Expenses</b>					
Advertising and promotion	402,593	-	-	402,593	375,255
Amortization	-	-	1,072,212	1,072,212	801,600
Annual General Assembly (Note 17)	202,970	-	-	202,970	121,681
Bad debts	8,581	-	-	8,581	1,294
Board and Chiefs' Meetings	323,596	-	-	323,596	518,028
Consultants	2,125,561	-	-	2,125,561	1,924,105
Crisis and donations	234,867	-	-	234,867	461,394
Insurance	129,928	-	-	129,928	88,995
Interest and bank charges	23,094	-	-	23,094	40,494
Interest on long-term debt	66,014	-	-	66,014	69,208
Meetings	1,063,022	-	-	1,063,022	1,417,611
Occupancy costs	1,087,196	-	-	1,087,196	762,268
Professional development/training	431,871	-	-	431,871	315,874
Professional fees	4,434,836	-	-	4,434,836	2,243,534
Program co-ordination (recovery)	(176,936)	176,936	-	-	-
Repairs and maintenance	163,215	-	-	163,215	190,878
Resource materials	875,126	-	-	875,126	734,726
Salaries and benefits	11,544,100	-	-	11,544,100	8,773,429
Student and Client Allowances (Note 17)	3,489,459	1,076,947	-	4,566,406	3,507,090
Supplies and equipment	1,623,356	-	-	1,623,356	1,329,029
Telephone	196,195	-	-	196,195	181,077
Travel	1,831,546	-	-	1,831,546	1,414,776
<b>Total expenses</b>	<b>30,080,190</b>	<b>1,253,883</b>	<b>1,072,212</b>	<b>32,406,285</b>	<b>25,272,346</b>
<b>Excess (deficiency) of revenue over expenses before other items</b>	<b>1,914,826</b>	<b>19,693</b>	<b>(888,606)</b>	<b>1,045,913</b>	<b>657,694</b>

*Continued on next page*

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

**Matawa First Nations Management**  
**Consolidated Statement of Operations**

*For the year ended March 31, 2019*

	<i>Matawa Operating</i>	<i>Matawa Restricted</i>	<i>Matawa Capital</i>	<b>2019</b>	<b>2018</b>
<b>Excess (deficiency) of revenue over expenses before other items</b> <i>(Continued from previous page)</i>	<b>1,914,826</b>	<b>19,693</b>	<b>(888,606)</b>	<b>1,045,913</b>	<b>657,694</b>
<b>Other items</b>					
Uncollectible funding receivable	<b>(432,864)</b>	-	-	<b>(432,864)</b>	-
<b>Excess (deficiency) of revenue over expenses</b>	<b>1,481,962</b>	<b>19,693</b>	<b>(888,606)</b>	<b>613,049</b>	<b>657,694</b>

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

**Matawa First Nations Management**  
**Consolidated Statement of Changes in Fund Balances**

*For the year ended March 31, 2019*

	<i>Matawa Operating</i>	<i>Matawa Restricted</i>	<i>Matawa Capital</i>	<b>2019</b>	<b>2018</b>
Fund balances, beginning of year	(1,388,660)	284,387	1,828,022	723,749	70,136
Excess (deficiency) of revenue over expenses	1,481,962	19,693	(888,606)	613,049	657,694
Changes in unrealized gain (losses) on the marketable securities during the year <i>(Note 4)</i>	-	2,035	-	2,035	(4,081)
Transfer of funding to Capital Fund <i>(Note 18)</i>	(1,070,275)	-	1,070,275	-	-
<b>Fund balances, end of year</b>	<b>(976,973)</b>	<b>306,115</b>	<b>2,009,691</b>	<b>1,338,833</b>	<b>723,749</b>

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

## Matawa First Nations Management Consolidated Statement of Cash Flows

*For the year ended March 31, 2019*

	<b>2019</b>	<b>2018</b>
<b>Cash provided by (used for) the following activities</b>		
<b>Operating activities</b>		
Cash received from government, First Nations and Organizations, and other	<b>40,480,878</b>	35,353,997
Cash received from interest	<b>37,005</b>	9,898
Cash paid to suppliers and employees	<b>(31,706,165)</b>	(28,664,256)
Cash paid for interest	<b>(89,108)</b>	(109,702)
	<b>8,722,610</b>	6,589,937
<b>Financing activities</b>		
Repayments of long-term debt	<b>(128,230)</b>	(123,879)
<b>Investing activities</b>		
Purchase of marketable securities	<b>(3,615)</b>	(2,703)
Purchase of capital assets	<b>(4,243,388)</b>	(999,467)
	<b>(4,247,003)</b>	(1,002,170)
<b>Increase in cash resources</b>	<b>4,347,377</b>	5,463,888
<b>Cash resources, beginning of year</b>	<b>7,850,950</b>	2,387,062
<b>Cash resources, end of year</b>	<b>12,198,327</b>	7,850,950
<b>Cash resources are composed of:</b>		
Cash	<b>12,183,325</b>	7,835,948
Restricted cash	<b>15,002</b>	15,002
	<b>12,198,327</b>	7,850,950

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

# Matawa First Nations Management Notes to the Consolidated Financial Statements

For the year ended March 31, 2019

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## 1. Incorporation

Matawa First Nations Management (the "Organization") is incorporated under the Canada Corporations Act as a not-for-profit organization. The Organization operates as a tribal council, providing services to the First Nations listed in Note 6 to these consolidated financial statements.

## 2. Significant accounting policies

The consolidated financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations as issued by the Accounting Standards Board in Canada using the following significant accounting policies:

### ***Basis of consolidation***

The consolidated financial statements include the assets, liabilities, revenue and expenses of the Organization, which controls the following corporations: Matawa First Nations Property Inc. ("MFNP"), which owns the land and building at 233 Court Street South, Thunder Bay; Matawa Non-Profit Housing Corporation ("MNPHC"), a not-for-profit housing corporation; Kiikenomaga Kikenjigewen Employment & Training Services ("KKETS"), an employment and training corporation, Gathering of Rivers for Community Care ("GRCC"), a not-for-profit community care service provider, Four Rivers Inc. ("FRI"), a land and water resource management corporation, Matawa Health Co-operative Inc, a health service organization, and Matawa First Nations Education Authority, an educational facility and student residence.

These consolidated financial statements include financial statements for MFNP for the fiscal year from January 1, 2018 to December 31, 2018.

### ***Fund accounting***

In order to ensure observance of limitations and restrictions placed on the use of resources available to the Organization, the accounts are maintained on a fund accounting basis. Accordingly, resources are classified for accounting and reporting purposes into funds. These funds are held in accordance with the objectives specified by the contributors or in accordance with the directives issued by the Board of Directors. The Organization has the following funds:

The Operating Fund is used to account for all revenue and expenses related to general and ancillary operations of the Organization.

The Capital Fund is used to account for all capital assets of the Organization and to present the flow of funds related to their acquisition and disposal, capital resources and debt commitments.

The Restricted Fund is used to account for monies for the post-secondary education activities of the Organization and the capital reserves of MNPHC.

### ***Cash and cash equivalents***

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

### ***Marketable securities***

Marketable securities with prices quoted in an active market are measured at fair value while those that are not quoted in an active market are measured at cost less impairment.

**Matawa First Nations Management**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2019*

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

**Capital assets**

Capital assets are recorded at cost. The cost of major replacements and improvements to capital assets are capitalized and the cost of maintenance and repairs are expensed when incurred.

Amortization is provided using the declining balance and straight-line methods at rates intended to amortize the cost of assets over their estimated useful lives.

	<b>Method</b>	<b>Rate</b>
Buildings	declining balance	4 %
Automotive	declining balance	30 %
Equipment (computer)	straight line	3 years
Computer software	declining balance	100 %
Equipment (computer and GIS)	declining balance	55 %
Furniture and fixtures	declining balance	20 - 30 %
Leasehold improvements	straight-line	5 years
Parking lot	declining balance	8 %
Website	straight-line	3 years
Solar panels	declining balance	30 %

In the year of acquisition, one-half of the above rates is used on capital assets amortized using the declining balance method.

**Leases**

A lease that transfers substantially all of the benefits and risks of ownership is classified as a capital lease. At the inception of a capital lease, an asset and a payment obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair market value. Assets under capital leases are amortized on a declining balance basis, over their estimated useful lives. All other leases are accounted for as operating leases and rental payments are expensed as incurred.

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

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

**Long-lived assets**

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

When the Organization determines that a long-lived asset no longer has any long-term service potential to the Organization, the excess of its net carrying amount over any residual value is recognized as an expense in the consolidated statement of operations. Write-downs are not reversed.

**Long-term investments**

Long-term investments are recorded at cost less any provisions for other than temporary impairment. They have been classified as long-term assets in concurrence with the nature of the investment.

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

***Income taxes***

MFNP and FRI account for income taxes using the taxes payable method. Under this method, only current income tax assets and liabilities are recorded to the extent they are unpaid or recoverable. In addition, the benefit relating to a tax loss incurred in the current period and carried back to prior periods is recognized as a current asset. Current income tax assets and liabilities are measured using substantively enacted tax rates and laws expected to apply when the tax liabilities or assets are to be either settled or realized.

***Revenue recognition***

The Organization uses the deferral method of accounting for contributions and reports on a fund accounting basis. Restricted contributions are recognized as revenue in the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue in the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Revenue is recognized when it is earned according to the terms of funding agreements, provided that the amount is measurable and collection is reasonably assured.

Rental revenue is recognized as it is earned over time according to occupancy agreements.

Project and engineering fees and recoveries are recognized as services are rendered, provided that the amount is measurable and collection is reasonably assured.

Other project management fees are recognized on a percentage of completion basis, where revenue is matched with the contract costs incurred in reaching the stage of completion resulting in a proportionate reporting of revenue, expense, and profit attributable to the proportion of work completed. Any anticipated losses on contracts are provided for in the period.

Interest income is recognized when it is earned.

***Contributed materials and services***

The Organization does not recognize the receipt of contributed materials and services.

***Allocation of expenses***

The Organization engages in programs that are directly funded by various government agencies. The costs of each program include the costs of personnel, premises and other expenses that are directly related to providing the program. The Organization also incurs a number of general support expenses that are common to the administration of the Organization and each of its programs. The Organization directly allocates its general support expenses proportionately to each program based on the administrative support and related reporting requirements of each program.

***Employee future benefits***

The Organization's employee future benefit program consists of a defined contribution pension plan. The Organization's contributions to the defined contribution plan are expensed as incurred.

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

***Measurement uncertainty***

The preparation of consolidated financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary.

Amortization of capital assets and amortization of deferred contributions related to capital assets is based on the estimated useful lives of capital assets.

Accounts payable and accruals are estimated based on historical charges for unbilled goods and services at year-end.

Deferred revenue is estimated based on management's review of revenue received, but not spent at year-end.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenue over expenses in the periods in which they become known.

***Financial instruments***

The Organization recognizes its financial instruments when the Organization becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management. Financial assets and liabilities originated and issued in all other related party transactions are initially measured at their carrying or exchange amount in accordance with CPA Canada Handbook 4460 *Related Party Transactions* (refer to Note 17).

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

The Organization subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those designated in a qualifying hedging relationship or that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, at fair value. Fair value is determined by published price quotations. Investments in equity instruments not quoted in an active market and derivatives that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, are subsequently measured at cost less impairment. With the exception of financial liabilities indexed to a measure of the Organization's performance or value of its equity and those instruments designated at fair value, all other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in the excess of revenue over expenses for the current period. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at amortized cost or cost.

**3. Restricted cash**

The Organization receives funding from the Ministry of Northern Development and Mines on behalf of member First Nations and is restricted for the Regional Framework Agreement.

## Matawa First Nations Management Notes to the Consolidated Financial Statements

*For the year ended March 31, 2019*

#### 4. Marketable securities

	<b>2019</b>	2018
Marketable securities	<b>186,238</b>	180,587

All prescribed housing providers are required to participate in pooling of the capital reserves for investment purposes through the Social Housing Services Corporation ("SHSC") Investment Fund Program. According to SHSC Section 26(2), prescribed housing providers are required to follow the SHSC investment policy which outlines that all prescribed housing providers must invest all of the capital reserve funds with the SHSC Investment Fund, through Worldsource Financial Management Inc.

The Capital Reserve Fund investments consist of mutual funds invested with Worldsource Financial Management Inc. The investments consist of 100% Canadian fixed income bond funds with a cost of \$189,916 (2018 - 100% Canadian bond funds with a cost of \$186,302).

The Capital Reserve Fund investments are recorded at fair value which has resulted in an unrealized gain of \$2,035 (2018 - unrealized loss of \$4,081).

#### 5. Accounts receivable

	<b>2019</b>	2018
Trade accounts receivable	<b>7,188,100</b>	6,692,934
Travel and salary advances	<b>76,173</b>	87,715
Allowance for doubtful accounts	<b>(18,838)</b>	(170,842)
	<b>7,245,435</b>	6,609,807

# Matawa First Nations Management

## Notes to the Consolidated Financial Statements

*For the year ended March 31, 2019*

### 6. Related parties

The Organization is related to the following First Nations, each of which are members of the Organization and have representation on the Board of Directors. Therefore, each First Nation has the ability to significantly influence the operations of the Organization. The First Nations are as follows:

Aroland First Nation  
 Constance Lake First Nation  
 Eabametoong First Nation  
 Ginoogaming First Nation  
 Long Lake #58 First Nation  
 Marten Falls First Nation  
 Neskantaga First Nation  
 Nibinamik First Nation  
 Webequie First Nation

The following amounts are included in accounts receivable and accounts payable and accruals at year-end:

	2019	2018
<b>Amounts included in accounts receivable</b>		
Aroland First Nation	37,952	65,841
Constance Lake First Nation	1,609	1,355
Eabametoong First Nation	70,168	34,584
Ginoogaming First Nation	999,893	351,571
Long Lake #58 First Nation	152,873	19,213
Marten Falls First Nation	608,047	630,714
Neskantaga First Nation	269,046	200,351
Nibinamik First Nation	78,319	455,644
Webequie First Nation	538,021	210,458
<b>Amounts included in accounts payable and accruals</b>		
Aroland First Nation	295,204	168,932
Constance Lake First Nation	375,835	210,494
Eabametoong First Nation	450,836	496,160
Ginoogaming First Nation	379,476	363,166
Long Lake #58 First Nation	270,297	158,200
Marten Falls First Nation	310,623	278,380
Neskantaga First Nation	421,868	357,052
Nibinamik First Nation	307,397	289,769
Webequie First Nation	701,871	269,290

The Organization significantly influences the operations of, and is therefore related to Aatawehike Fire Services Limited Partnership, as the Organization is a creditor and provides support services on an in-kind basis. At year-end, no amount was included in accounts receivable (2018 - \$Nil).

The amounts above are non-interest bearing and unsecured. It is anticipated that the amounts will be received (paid) in the next fiscal year.

## Matawa First Nations Management Notes to the Consolidated Financial Statements

*For the year ended March 31, 2019*

### 7. Capital assets

	<i>Cost</i>	<i>Accumulated amortization</i>	<i>2019 Net book value</i>	<i>2018 Net book value</i>
Buildings	9,202,597	2,820,922	6,381,675	3,839,317
Buildings under construction (unamortized)	171,264	-	171,264	44,585
Automotive	198,664	41,718	156,946	39,727
Computer software	144,873	113,418	31,455	-
Equipment (computer and GIS)	4,600,922	4,041,906	559,016	808,932
Furniture and fixtures	1,256,692	512,046	744,646	244,625
Land	1,427,610	-	1,427,610	1,290,432
Leasehold improvements	428,865	407,679	21,186	35,314
Parking lot	28,200	14,930	13,270	14,424
Website	113,874	84,332	29,542	36,492
Solar panels	46,566	18,859	27,707	39,581
	<b>17,620,127</b>	<b>8,055,810</b>	<b>9,564,317</b>	<b>6,393,429</b>

During the fiscal year, the Organization commenced construction on a residential housing complex, with an expected completion date within the next fiscal year. Amortization will commence once construction has been completed.

### 8. Long-term investments

As at March 31, 2019, the Organization owned 2 Class C common shares of Long Lake Aggregates Ltd. representing 2% of the issued and outstanding shares of the company. The market value of these shares approximates the book value of this investment as recorded on these consolidated financial statements.

### 9. Credit facilities

At March 31, 2019, the Organization had a line of credit available with Royal Bank of Canada to a maximum \$500,000 bearing interest at bank prime plus 1.75%, none of which were drawn. The following has been collateralized in connection with this line of credit:

- Guarantee and postponement of claim along with a general security agreement

MNPHC has been offered credit facilities by way of a multi-draw term loan to a maximum of \$340,000 with respect to Phase 3 residential rental unit construction, secured by a first position collateral mortgage and a general security agreement including assignment of rents and insurance. The credit facilities shall bear interest at bank prime plus 1.22% payable monthly. Blended payments shall be calculated upon conversion of the multi-draw term loan, with any remaining balance due one year from conversion date. At year-end, no funds had been released.

### 10. Deferred revenue

	<i>Matawa Operating</i>	<i>Matawa Restricted</i>	<i>Matawa Capital</i>	<i>2019</i>	<i>2018</i>
Balance, beginning of year	9,958,945	163,444	-	10,122,389	2,169,549
Less: prior year funding adjustment	(565,240)	-	-	(565,240)	-
Amount received during the year	12,173,720	237,450	-	12,411,170	10,122,389
Less: amount recognized as revenue during the year	(9,393,705)	(163,444)	-	(9,557,149)	(2,169,549)
Balance, end of year	<b>12,173,720</b>	<b>237,450</b>	<b>-</b>	<b>12,411,170</b>	<b>10,122,389</b>

**Matawa First Nations Management**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2019*

**11. Long-term debt**

	<b>2019</b>	2018
First National Financial LP, 2.20% mortgage on multiple properties located in Thunder Bay, Ontario. Repayable at \$7,136 per month including interest, maturing February 1, 2022. Security provided includes a charge on land and buildings with a net book value of \$861,644.	<b>897,443</b>	962,645
Royal Bank of Canada loan, bearing interest at 4.15%. Repayable at \$8,967 per month including interest, maturing August 2021. Secured by a general security agreement, and a guarantee and postponement of claim along with a general security agreement and assignment of rents from MFNP.	<b>1,042,700</b>	1,105,728
	<b>1,940,143</b>	2,068,373
Less: current portion	<b>132,229</b>	128,106
	<b>1,807,914</b>	1,940,267

Principal repayments on long-term debt in each of the next five years, assuming long-term debt subject to refinancing is renewed are estimated as follows:

	<b><i>Principal</i></b>
2020	132,229
2021	136,457
2022	140,854
2023	145,407
2024	150,122

**12. Deferred contributions related to capital assets**

Deferred contributions related to capital assets represent the unamortized amount of contributed capital assets and restricted contributions that were used to fund capital purchases and construction including, but not limited to, social housing and education facilities. Recognition of these amounts as revenue is deferred to the period when the related capital assets are amortized. The deferred capital contributions related to capital assets include contributions from Ontario Aboriginal Housing Support Services Corporation, The District of Thunder Bay Social Services Administration Board and Indigenous Services Canada.

**Deferred contributions related to capital assets - social housing**

The Organization received contributions of \$3,338,775 in the form of a forgivable loan from Ontario Aboriginal Housing Support Services Corporation. The principal portion of the loan shall be forgiven over a 20-year term beginning on January 16, 2012 (the date of occupancy) on an accelerated basis as follows: 3% years one through five, 4% years six through ten and 6.5% years eleven through twenty, provided that all commitments are fulfilled. The Organization anticipates that no repayment will be necessary.

The estimated amount to be forgiven in each of the next five years is estimated as follows:

2020	133,551
2021	133,551
2022	133,551
2023	217,020
2024	217,020

The balance unforgiven at March 31, 2019 is \$2,570,856 and may become liable should commitments not be fulfilled. The Organization anticipates that no repayment will be necessary.

The Organization received contributions of \$486,854 in the form of a forgivable loan from The District of Thunder Bay Social Services Administration Board related to the construction of the Phase 3 property. Recognition of this amount as revenue is deferred to the period when the related capital asset is amortized, which will commence after the completion of construction. Construction is anticipated to be completed in fiscal 2020.

The principal portion of the forgivable loan shall be forgiven on the last day of the month at the end of the twenty-year term, which commences at occupancy. Forgiveness is granted provided all conditions of the agreement have been satisfied. The forgivable loan bears interest at 5%, which shall be forgiven annually, provided the Organization remains in compliance with the legal agreement. At the date of these financial statements, the Organization believes it is in compliance with the terms of the agreement.

The District of Thunder Bay Social Services Administration Board forgivable loan is secured by a second position collateral mortgage to a maximum of \$973,708, payable upon demand, and includes the assignment of rents.

**Matawa First Nations Management**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2019*

**12. Deferred contributions related to capital assets** *(Continued from previous page)*

**Deferred contributions related to capital assets - education facilities**

The Organization received contributions of \$6,981,958 from Indigenous Services Canada. At year-end, \$2,843,017 has been expended as capital assets relating to the education facility. The remaining balance is included in deferred revenue and will be included in deferred contributions related to capital assets once the remaining funding is expended on the education facility which is expected to be completed in the next fiscal year.

	<i>Matawa Operating</i>	<i>Matawa Restricted</i>	<i>Matawa Capital</i>	<b>2019</b>	<i>2018</i>
Balance, beginning of year	-	-	<b>3,187,906</b>	<b>3,187,906</b>	3,309,951
Amount received during the year	-	-	<b>3,329,871</b>	<b>3,329,871</b>	-
Less: amounts recognized as revenue during the year	-	-	<b>(183,606)</b>	<b>(183,606)</b>	(122,045)
	-	-	<b>6,334,171</b>	<b>6,334,171</b>	3,187,906
Less: current portion	-	-	<b>112,130</b>	<b>112,130</b>	116,954
Balance, end of year	-	-	<b>6,222,041</b>	<b>6,222,041</b>	3,070,952

**13. Contingencies**

The Organization is contingently liable to its funding agencies for any expenditures that it may have made in contravention of the contract agreements with these agencies. The actual amount of any contingent liability, if any, is currently not determinable.

A Ministry of Labour complaint under Section 50 of the Occupational Health and Safety Act has been advanced against the Organization. The results are undeterminable at the date of these financial statements.

**14. Refundable dividend taxes on hand**

Under the *Income Tax Act* (the "Act"), MFNP is classified as a private corporation and therefore certain taxes paid relating to investments and dividend income are refundable. Accordingly, these taxes are not deducted in computing net income for the year, but are charged directly to retained earnings. These taxes can be recovered based on payments of dividends at the rate of \$1 for every \$3 of taxable dividends paid. The refundable dividend tax on hand as at March 31, 2019 amounts to \$302 (2018 - \$302).

# Matawa First Nations Management Notes to the Consolidated Financial Statements

For the year ended March 31, 2019

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## 15. Income taxes

The Organization is registered as a charitable organization under the *Income Tax Act* (the "Act") and as such is exempt from income taxes and is able to issue donation receipts for income tax purposes. In order to maintain its status as a registered charity under the Act, the Organization must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

As at March 31, 2019, MFNP has \$169,489 in non-capital losses available to reduce future years income for tax purposes, the future income tax effect of which has not been recorded in the consolidated financial statements. These losses expire as follows:

2033	1,192
2035	28,269
2036	31,489
2037	53,174
2038	20,574
2039	34,791

As at March 31, 2019, FRI has \$7,434 in non-capital losses available to reduce future years income for tax purposes, the future income tax effect of which has not been recorded in the consolidated financial statements. These losses expire as follows:

2037	2,088
2038	2,508
2039	2,838

## Matawa First Nations Management Notes to the Consolidated Financial Statements

*For the year ended March 31, 2019*

### 16. Revenue details

	2019	2018
<b>Government of Canada</b>		
Indigenous Services Canada	15,660,255	12,573,843
Health Canada	2,380,366	1,543,627
FedNor/Industry Canada	43,807	101,792
Canada Mortgage and Housing Corporation	108,181	236,288
Human Resources and Skills Development Canada	6,681,482	6,763,877
Fisheries and Oceans Canada	15,219	-
Environment and Climate Change Canada	279,753	-
Canadian Environmental Assessment Agency	68,874	17,931
Transport Canada	4,967	-
	25,242,904	21,237,358
<b>Province of Ontario</b>		
Ministry of Northern Development and Mines	2,155,226	4,251,587
Ministry of Community and Social Services	623,574	604,825
Ministry of Natural Resources	109,098	256,926
Ministry of Indigenous Relations and Reconciliation	25,000	1,646,450
Ministry of Training, Colleges and Universities	3,082,953	3,353,366
Ministry of Education	1,699,431	1,525,473
Ministry of Agriculture, Food and Rural Affairs	-	100,000
Ministry of the Attorney General	617,240	511,320
Northern Ontario Heritage Fund Corporation	-	31,500
Ontario Trillium Foundation	303,473	296,828
Ministry of Health and Long-Term Care	2,358,656	212,254
North West Local Health Integration Network	647,500	-
	11,622,151	12,790,529
<b>First Nations and Organizations</b>		
Services and recoveries	2,356,067	2,428,253
Nishnawbe Aski Nation	1,095,580	585,771
Nishnawbe Aski Development Fund	-	57,846
First Nation Confederacy of Cultural Centres	74,551	-
	3,526,198	3,071,870
<b>Other</b>		
Interest	37,005	9,898
Miscellaneous	1,374,167	1,808,230
Rental	141,544	149,206
	1,552,716	1,967,334

# Matawa First Nations Management

## Notes to the Consolidated Financial Statements

*For the year ended March 31, 2019*

### 17. Related party transactions

Transactions occurring during the year with the related parties outlined in Note 6 were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Related party transactions included in the consolidated statement of operations are summarized as follows:

	<i>Matawa Operating</i>	<i>Matawa Restricted</i>	<b>2019</b>	2018
Revenue - services and recoveries (included in First Nations and Organizations)	<b>1,028,178</b>	<b>1,327,889</b>	<b>2,356,067</b>	2,428,253
Expenses - First Nation Project Contributions	<b>2,699,131</b>	-	<b>2,699,131</b>	5,155,404
Expenses - Student and Client Allowances	<b>645,189</b>	-	<b>645,189</b>	950,785
Expenses - Annual General Assembly	<b>53,500</b>	-	<b>53,500</b>	44,500

### 18. Interfund transfer

An interfund transfer in the amount of \$1,070,275 (2018 - \$968,324) was transferred from the Operating Fund to the Capital Fund in order to fund capital asset purchases and amortization of capital assets.

### 19. Pension plan

The Organization has a defined contribution plan for which virtually all employees of the Organization are eligible. Pension benefits are determined by the performance of the sponsor's and employee's contributions. Actuarial valuations are normally not required as the pension obligation equals the net assets available for benefits. Employer contributions for the year were \$369,064 (2018 - \$257,086).

### 20. Commitments

The Organization has a 66-month operating lease for a photocopier requiring quarterly payments of \$1,381, expiring in October 2023. The Organization also leases office space requiring monthly payments of \$24,870 under a one-year lease, expiring in March 2020. Aggregate minimum lease payments to the expiry of the leases are as follows:

2020	303,965
2021	5,523
2022	5,523
2023	5,523
2024	5,523

### 21. Financial instruments

The Organization, as part of its operations, carries a number of financial instruments. It is management's opinion that the Organization is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

#### ***Interest rate risk***

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

The Organization is exposed to interest rate risk relating to long-term debt, which has fixed interest rates ranging from 2.2% to 4.15% (2018 - 2.2% to 4.15%).

### 22. Comparative figures

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