

Matawa First Nations Management
Consolidated Financial Statements
March 31, 2021

Matawa First Nations Management Contents

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Management's Responsibility

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 27, 2021



Chief Executive Officer

Independent Auditor's Report

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 and its subsidiaries (the "Organization"), which comprise the consolidated statement of financial position as at March 31, 2021, 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, 2021, 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 27, 2021

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

Matawa First Nations Management Consolidated Statement of Financial Position

As at March 31, 2021

| | Matawa Operating | Matawa Restricted | Matawa Capital | 2021 | 2020 |
|---|-----------------------------|------------------------------|---------------------------|-------------------|------------------------------|
| | | | | | <i>Restated (Note 2)</i> |
| Assets | | | | | |
| Current | | | | | |
| Cash | 6,008,644 | - | - | 6,008,644 | 15,742,773 |
| Marketable securities (Note 4) | - | 195,163 | - | 195,163 | 190,970 |
| Accounts receivable (Note 5), (Note 6) | 7,006,337 | 752,376 | 5,836,326 | 13,595,039 | 9,454,685 |
| Government remittances receivable | 2,950,448 | - | 1,547,195 | 4,497,643 | 3,254,667 |
| Prepaid expenses and deposits | 327,402 | - | - | 327,402 | 577,073 |
| | 16,292,831 | 947,539 | 7,383,521 | 24,623,891 | 29,220,168 |
| Capital assets (Note 7) | - | - | 53,090,091 | 53,090,091 | 27,392,679 |
| Long-term investments (Note 8) | 2 | - | - | 2 | 2 |
| | 16,292,833 | 947,539 | 60,473,612 | 77,713,984 | 56,612,849 |

Continued on next page

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

Matawa First Nations Management Consolidated Statement of Financial Position

As at March 31, 2021

| | <i>Matawa Operating</i> | <i>Matawa Restricted</i> | <i>Matawa Capital</i> | 2021 | <i>2020</i> <i>Restated (Note 2)</i> |
|---|-----------------------------|------------------------------|---------------------------|-------------------|---|
| Liabilities | | | | | |
| Current | | | | | |
| Accounts payable and accruals (Note 6) | 10,058,939 | - | 1,839,983 | 11,898,922 | 11,218,871 |
| Government remittances payable | 209,734 | - | - | 209,734 | 100,671 |
| Deferred revenue (Note 10) | 12,969,491 | 311,891 | - | 13,281,382 | 17,527,722 |
| Due to Operating Fund (Note 18) | (341,152) | 341,152 | - | - | - |
| Current portion of long-term debt and due on demand (Note 11) | - | - | 58,002 | 58,002 | 207,447 |
| Deferred contributions related to capital assets (Note 12) | - | - | 250,485 | 250,485 | 209,925 |
| | 22,897,012 | 653,043 | 2,148,470 | 25,698,525 | 29,264,636 |
| Term loans subject to refinancing (Note 11) | 908,808 | - | 1,785,293 | 2,694,101 | - |
| | 23,805,820 | 653,043 | 3,933,763 | 28,392,626 | 29,264,636 |
| Long-term debt (Note 11) | - | - | - | - | 1,671,050 |
| Deferred contributions related to capital assets (Note 12) | - | - | 45,663,724 | 45,663,724 | 23,180,853 |
| | - | - | 45,663,724 | 45,663,724 | 24,851,903 |
| | 23,805,820 | 653,043 | 49,597,487 | 74,056,350 | 54,116,539 |
| Contingencies (Note 13) | | | | | |
| Fund Balances | | | | | |
| Fund Balances | (7,512,987) | 294,496 | 10,876,125 | 3,657,634 | 2,496,310 |
| | 16,292,833 | 947,539 | 60,473,612 | 77,713,984 | 56,612,849 |

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, 2021

| | Matawa Operating | Matawa Restricted | Matawa Capital | 2021 | 2020 |
|---|-----------------------------|------------------------------|---------------------------|---------------------|--------------|
| Revenue | | | | | |
| Federal Government (Note 16) | 30,844,811 | - | - | 30,844,811 | 36,371,165 |
| Provincial Government (Note 16) | 15,646,448 | - | - | 15,646,448 | 18,133,481 |
| First Nations and Organizations (Note 16), (Note 17) | 5,597,017 | 1,538,603 | - | 7,135,620 | 4,743,427 |
| Other (Note 16), (Note 17) | 2,304,893 | 19,981 | - | 2,324,874 | 1,242,699 |
| Amortization of deferred capital contributions (Note 12) | - | - | 248,324 | 248,324 | 240,809 |
| Less: funding repayable | (314,750) | - | - | (314,750) | (1,065,715) |
| | 54,078,419 | 1,558,584 | 248,324 | 55,885,327 | 59,665,866 |
| Net transfers to deferred revenue | | | | | |
| Transfers from deferred revenue (Note 10) | 4,444,378 | (198,039) | - | 4,246,339 | (5,402,759) |
| Transfer to deferred capital (Note 12) | (22,771,755) | - | - | (22,771,755) | (14,788,314) |
| | (18,327,377) | (198,039) | - | (18,525,416) | (20,191,073) |
| Total revenue | 35,751,042 | 1,360,545 | 248,324 | 37,359,911 | 39,474,793 |
| First Nation Project Contributions (Note 17) | 1,651,680 | - | - | 1,651,680 | 1,961,978 |
| | 34,099,362 | 1,360,545 | 248,324 | 35,708,231 | 37,512,815 |

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, 2021

| | <i>Matawa Operating</i> | <i>Matawa Restricted</i> | <i>Matawa Capital</i> | 2021 | 2020 |
|--|-----------------------------|------------------------------|---------------------------|-------------------|-------------|
| <i>(Continued from previous page)</i> | 34,099,362 | 1,360,545 | 248,324 | 35,708,231 | 37,512,815 |
| Expenses | | | | | |
| Administrative | 100,794 | - | - | 100,794 | 6,000 |
| Advertising and promotion | 151,775 | - | - | 151,775 | 341,598 |
| Amortization | - | - | 1,055,067 | 1,055,067 | 1,080,165 |
| Annual General Assembly (Note 17) | 92,156 | - | - | 92,156 | 168,310 |
| Bad debts (recovery) | (5,973) | - | - | (5,973) | (555) |
| Board and Chiefs' meetings | 66,586 | - | - | 66,586 | 353,788 |
| Consultants | 1,424,759 | - | - | 1,424,759 | 2,264,377 |
| Crisis and donations | 392,415 | - | - | 392,415 | 313,233 |
| Insurance | 155,858 | - | - | 155,858 | 137,768 |
| Interest and bank charges | 57,111 | - | - | 57,111 | 69,291 |
| Interest on long-term debt | 56,971 | - | - | 56,971 | 54,619 |
| Meetings | 101,607 | - | - | 101,607 | 1,293,841 |
| Occupancy costs | 823,598 | - | - | 823,598 | 790,400 |
| Professional development/training | 409,871 | - | - | 409,871 | 654,337 |
| Professional fees | 2,280,529 | - | - | 2,280,529 | 2,261,204 |
| Program co-ordination (recovery) | (229,000) | 229,000 | - | - | - |
| Repairs and maintenance | 316,853 | 10,477 | - | 327,330 | 225,666 |
| Resource materials | 1,283,840 | - | - | 1,283,840 | 685,031 |
| Salaries and benefits | 17,399,500 | - | - | 17,399,500 | 14,267,790 |
| Student and Client Allowances (Note 17) | 2,431,530 | 1,111,564 | - | 3,543,094 | 6,970,699 |
| Supplies and equipment | 3,538,007 | - | - | 3,538,007 | 1,658,698 |
| Telephone | 300,060 | - | - | 300,060 | 280,190 |
| Travel | 802,852 | - | - | 802,852 | 2,372,018 |
| Total expenses | 31,951,699 | 1,351,041 | 1,055,067 | 34,357,807 | 36,248,468 |
| Excess (deficiency) of revenue over expenses before other items | 2,147,663 | 9,504 | (806,743) | 1,350,424 | 1,264,347 |
| Other items | | | | | |
| Uncollectible funding receivable | (189,909) | - | - | (189,909) | (108,273) |
| Excess (deficiency) of revenue over expenses | 1,957,754 | 9,504 | (806,743) | 1,160,515 | 1,156,074 |

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, 2021

| | <i>Matawa Operating</i> | <i>Matawa Restricted</i> | <i>Matawa Capital</i> | <i>2021</i> | <i>2020</i> |
|---|------------------------------------|-------------------------------------|----------------------------------|--------------------|--------------------|
| Fund balances, beginning of year | 903,573 | 284,183 | 1,308,554 | 2,496,310 | 1,338,833 |
| Excess (deficiency) of revenue over expenses | 1,957,754 | 9,504 | (806,743) | 1,160,515 | 1,156,074 |
| Changes in unrealized gain on the marketable securities during the year (Note 4) | - | 809 | - | 809 | 1,403 |
| Transfer of funding to Capital Fund (Note 18) | (10,374,314) | - | 10,374,314 | - | - |
| Fund balances, end of year | (7,512,987) | 294,496 | 10,876,125 | 3,657,634 | 2,496,310 |

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, 2021

| | 2021 | 2020 |
|---|---------------------|---------------------|
| Cash provided by (used for) the following activities | | |
| Operating activities | | |
| Cash received from government, First Nations and Organizations, and other | 51,257,719 | 57,191,592 |
| Cash received from interest | 93,990 | 19,220 |
| Cash paid to suppliers and employees | (35,089,499) | (36,688,570) |
| Cash paid for interest | (114,082) | (123,910) |
| | 16,148,128 | 20,398,332 |
| Financing activities | | |
| Net advances of long-term debt | 1,022,614 | 80,349 |
| Repayments of long-term debt | (149,008) | (141,996) |
| | 873,606 | (61,647) |
| Investing activities | | |
| Purchase of marketable securities | (3,384) | (3,329) |
| Purchase of capital assets | (26,752,479) | (16,788,910) |
| | (26,755,863) | (16,792,239) |
| Increase (decrease) in cash resources | (9,734,129) | 3,544,446 |
| Cash resources, beginning of year | 15,742,773 | 12,198,327 |
| Cash resources, end of year | 6,008,644 | 15,742,773 |

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, 2021

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.

Impact on operations of COVID-19

In early March 2020 the impact of the global outbreak of COVID-19 began to have a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. The Organization's operations were impacted by COVID-19 as the Organization modified its operating structure, and executed pandemic planning, projects, and service delivery funded by various levels of government. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Organization as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, we anticipate this outbreak may continue to cause specialized and modified service delivery, supply chain disruptions for operational supplies and increased government regulations, which may negatively impact the Organization's business and financial condition.

2. Correction of an error

During the year the Organization determined that costs incurred and expended in the design phase of the broadband project had not been capitalized, and the capital funding received had not been recognized as a deferred contribution related to the capital asset. The consolidated financial statement effect was an understatement of capital assets and total assets by \$2,119,618 and an understatement of deferred contributions related to capital assets and total liabilities of \$2,118,618. The retroactive application of this correction of an error did not have a material impact on the results of operations and financial condition of the Organization.

3. 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, Matawa First Nations Education Authority, an educational facility and student residence and Matawa Training and Wellness Centre, which owns land and building being developed for use as a training, health, and social service facility. These consolidated financial statements include financial statements for MFNP for the fiscal year from January 1, 2020 to December 31, 2020.

Matawa First Nations Management
Notes to the Consolidated Financial Statements
For the year ended March 31, 2021

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

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.

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.

| | <i>Method</i> | <i>Rate</i> |
|------------------------------|----------------------|--------------------|
| 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 % |

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

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.

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.

Matawa First Nations Management Notes to the Consolidated Financial Statements

For the year ended March 31, 2021

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

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.

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.

Matawa First Nations Management
Notes to the Consolidated Financial Statements
For the year ended March 31, 2021

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

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.

4. Marketable securities

| | 2021 | 2020 |
|-----------------------|----------------|-------------|
| Marketable securities | 195,163 | 190,970 |

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 bond funds with a cost of \$196,629 (2020 - 100% Canadian bond funds with a cost of \$193,245).

The Capital Reserve Fund investments are recorded at fair value which has resulted in an unrealized gain of \$809 (2020 - unrealized gain of \$1,403).

5. Accounts receivable

| | 2021 | 2020 |
|---------------------------------|-------------------|-------------|
| Trade accounts receivable | 13,954,321 | 9,693,075 |
| Travel and salary advances | 74,616 | 85,128 |
| Allowance for doubtful accounts | (433,898) | (323,518) |
| | 13,595,039 | 9,454,685 |

Matawa First Nations Management
Notes to the Consolidated Financial Statements
For the year ended March 31, 2021

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:

| | 2021 | 2020 |
|--|------------------|-------------|
| Amounts included in accounts receivable | | |
| Aroland First Nation | 138,543 | 67,407 |
| Constance Lake First Nation | 1,609 | 1,609 |
| Eabametoong First Nation | 253,029 | 148,920 |
| Ginoogaming First Nation | 403,665 | 761,907 |
| Long Lake #58 First Nation | 13,388 | 11,453 |
| Marten Falls First Nation | 1,080,857 | 816,905 |
| Neskantaga First Nation | 902,506 | 740,022 |
| Nibinamik First Nation | 182,233 | 497,767 |
| Webequie First Nation | 458,994 | 621,117 |
| Amounts included in accounts payable and accruals | | |
| Aroland First Nation | 311,210 | 308,565 |
| Constance Lake First Nation | 656,742 | 342,129 |
| Eabametoong First Nation | 490,904 | 563,650 |
| Ginoogaming First Nation | 568,534 | 330,334 |
| Long Lake #58 First Nation | 193,773 | 167,848 |
| Marten Falls First Nation | 486,846 | 341,553 |
| Neskantaga First Nation | 410,723 | 441,973 |
| Nibinamik First Nation | 526,881 | 430,059 |
| Webequie First Nation | 408,671 | 310,852 |

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, 2021

7. Capital assets

| | | | 2021 | 2020 <i>Restated Note 2</i> |
|--|-------------------|-------------------------------------|---------------------------|------------------------------------|
| | <i>Cost</i> | <i>Accumulated amortization</i> | <i>Net book value</i> | <i>Net book value</i> |
| Buildings | 10,473,387 | 3,423,156 | 7,050,231 | 6,130,760 |
| Buildings under construction (unamortized) | 14,495,163 | - | 14,495,163 | 5,469,350 |
| Automotive | 1,038,530 | 380,963 | 657,567 | 553,937 |
| Computer software | 144,873 | 144,873 | - | - |
| Equipment (computer and GIS) | 5,601,248 | 4,872,401 | 728,847 | 606,668 |
| Furniture and fixtures | 1,569,630 | 827,195 | 742,435 | 668,193 |
| Land | 2,009,806 | - | 2,009,806 | 1,453,813 |
| Leasehold improvements | 428,865 | 421,804 | 7,061 | 11,769 |
| Parking lot | 28,200 | 16,969 | 11,231 | 12,208 |
| Website | 113,874 | 105,180 | 8,694 | 15,403 |
| Solar panels | 46,566 | 32,989 | 13,577 | 19,395 |
| Broadband network (under construction) | 27,365,479 | - | 27,365,479 | 12,451,183 |
| | 63,315,621 | 10,225,530 | 53,090,091 | 27,392,679 |

During the year, the Organization continued capital renovations to a future education facility with a cost to date of \$10,833,901 (2020 - \$4,456,749), with an estimated completion date of fiscal 2022. In addition, the Organization commenced capital improvements to a training and wellness facility with a cost to date of \$3,661,261, with an estimated completion date of fiscal 2023.

During the year, the Organization continued capital development of a broadband network at a cost to date of \$27,365,479 (2020 - \$12,451,183), with an estimated completion date of fiscal 2022.

Amortization of assets under construction will commence once construction has been completed, based on an estimated useful life.

8. Long-term investments

As at March 31, 2021, 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, 2021, 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, the balance outstanding is \$Nil.

Subsequent to year-end, the Organization is negotiating the terms and security of this credit offering and expects to draw down the maximum term loan in fiscal 2022.

Matawa First Nations Management

Notes to the Consolidated Financial Statements

For the year ended March 31, 2021

10. Deferred revenue

| | <i>Matawa Operating</i> | <i>Matawa Restricted</i> | <i>Matawa Capital</i> | 2021 | 2020 |
|--|-----------------------------|------------------------------|---------------------------|--------------|--------------|
| Balance, beginning of year | 17,413,871 | 113,851 | - | 17,527,722 | 12,411,170 |
| Amount received during the year | 12,969,491 | 198,040 | - | 13,167,531 | 17,413,871 |
| Less: amount recognized as revenue during the year | (17,413,871) | - | - | (17,413,871) | (12,297,319) |
| Balance, end of year | 12,969,491 | 311,891 | - | 13,281,382 | 17,527,722 |

11. Long-term debt

| | 2021 | 2020 |
|---|------------------|------------------|
| Royal Bank of Canada demand loan, bearing interest at 3.99%, repayable at \$250 per month, maturing June 2025. Secured by a general security agreement and specific automotive equipment with a net book value of \$23,554. | 25,525 | 30,907 |
| Royal Bank of Canada demand loan, non-interest bearing, repayable at \$293 per month, maturing June 2025. Secured by a general security agreement and specific automotive equipment with a net book value of \$25,475. | 32,477 | 40,084 |
| 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 \$726,881. | 762,679 | 830,798 |
| 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. | 908,808 | 976,708 |
| Royal Bank of Canada loan, bearing interest at 3.6%. Repayable at \$6,144 per month including interest, maturing June 2021. Secured by a general security agreement, a guarantee and postponement of claim, assignment of rents, and a charge on land and buildings with a net book value of \$3,661,261. | 1,022,614 | - |
| | 2,752,103 | 1,878,497 |
| Less: current portion and loans due on demand | 58,002 | 207,447 |
| Less: term loans subject to refinancing | 2,694,101 | - |
| | - | 1,671,050 |

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

| | <i>Principal</i> |
|------|------------------|
| 2022 | 143,867 |
| 2023 | 148,548 |
| 2024 | 153,395 |
| 2025 | 158,416 |
| 2026 | 163,616 |

Matawa First Nations Management
Notes to the Consolidated Financial Statements
For the year ended March 31, 2021

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, general administrative operations, social housing, education facilities, training and wellness facilities, and broadband. 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, Indigenous Services Canada, Ministry of Energy, Northern Development and Mines, Connect to Innovate, and various other governmental agencies.

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:

| | |
|------|---------|
| 2022 | 133,551 |
| 2023 | 217,020 |
| 2024 | 217,020 |
| 2025 | 217,020 |
| 2026 | 217,020 |

The balance unforgiven at March 31, 2021 is \$2,303,775 and may become liable should commitments not be fulfilled. The Organization anticipates that no repayment will be necessary.

The Organization received contributions of \$952,933 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. 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 (December 2020). 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.

Deferred contributions related to capital assets - training and wellness

The Organization received contributions of \$652,350 from The District of Thunder Bay Social Services Administration Board related to the capital improvements of the training and wellness facility, with an estimate completion date of fiscal 2023. Recognition of this amount as revenue is deferred to the period when the related capital asset is amortized.

Deferred contributions related to capital assets - education facilities

The Organization received contributions in the fiscal year of \$1,393,558 (2020 - \$10,336,355) from Indigenous Services Canada and \$138,300 (2020 - \$Nil) from The District of Thunder Bay District Services Administration Board. At year-end, \$10,833,901 (2020 - \$4,456,749) 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 fiscal 2022.

Deferred contributions related to capital assets - broadband

The Organization received contributions and financial commitments of \$28,096,066 (2020 - \$12,451,183) from the Ministry of Energy, Northern Development and Mines, Connect to Innovate and Indigenous Services Canada. At year-end, \$27,365,479 (2020 - \$12,451,183) has been expended as capital assets relating to the broadband development, currently under construction with an estimated completion date of fiscal 2023.

Matawa First Nations Management
Notes to the Consolidated Financial Statements
For the year ended March 31, 2021

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

| | <i>Matawa Operating</i> | <i>Matawa Restricted</i> | <i>Matawa Capital</i> | 2021 | 2020 |
|---|-----------------------------|------------------------------|---------------------------|-------------|-------------|
| Balance, beginning of year | - | - | 23,390,778 | 23,390,778 | 8,453,789 |
| Amount received during the year | - | - | 22,771,755 | 22,771,755 | 15,177,798 |
| Less: amounts recognized as revenue during the year | - | - | 248,324 | (248,324) | (240,809) |
| | - | - | 45,914,209 | 45,914,209 | 23,390,778 |
| Less: current portion | - | - | 250,485 | 250,485 | 209,925 |
| Balance, end of year | - | - | 45,663,724 | 45,663,724 | 23,180,853 |

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.

During the year, the Organization executed two forgivable promissory notes for a total value of \$600,000 with The District of Thunder Bay Social Services Administration Board. The notes are forgivable after a minimum of ten years after project completion regarding the education facility and the training and wellness facility. The forgivable promissory notes are secured by specific land and buildings with a book value of \$15,045,162.

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, 2021 amounts to \$302 (2020 - \$302).

Matawa First Nations Management Notes to the Consolidated Financial Statements

For the year ended March 31, 2021

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, 2021, MFNP has \$222,793 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:

| | |
|------|--------|
| 2035 | 11,820 |
| 2036 | 31,489 |
| 2037 | 53,174 |
| 2038 | 20,574 |
| 2039 | 34,791 |
| 2040 | 70,945 |

As at March 31, 2021, FRI has \$37,553 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 |
| 2041 | 30,119 |

Matawa First Nations Management

Notes to the Consolidated Financial Statements

For the year ended March 31, 2021

16. Revenue details

| | 2021 | 2020 |
|--|-------------------|-------------------|
| Government of Canada | | |
| Indigenous Services Canada | 11,027,631 | 21,115,333 |
| Crown-Indigenous Relations and Northern Affairs | 209,957 | - |
| Health Canada | 6,346,423 | 6,434,725 |
| Natural Resources Canada | 100,000 | - |
| Canada Mortgage and Housing Corporation | 33,260 | 159,029 |
| Human Resources and Skills Development Canada | 2,604,375 | 6,026,447 |
| Fisheries and Oceans Canada | - | 139,997 |
| Environment and Climate Change Canada | 343,098 | 209,117 |
| Canadian Environmental Assessment Agency | 125,477 | 268,879 |
| Transport Canada | 4,830 | 10,000 |
| Connect to Innovate | 10,049,760 | 2,007,638 |
| | 30,844,811 | 36,371,165 |
| Province of Ontario | | |
| Ministry of Energy, Northern Development and Mines | 6,364,433 | 8,373,314 |
| Ministry of Community and Social Services | 660,516 | 618,731 |
| Ministry of Natural Resources | 25,346 | 49,980 |
| Ministry of Indigenous Affairs | 254,409 | - |
| Ministry of Colleges and Universities | 1,900,000 | 3,000,000 |
| Ministry of Education | 841,907 | 815,366 |
| Ministry of Environment | 187,595 | - |
| Ministry of the Attorney General | 803,855 | 669,740 |
| Northern Ontario Heritage Fund Corporation | - | 46,452 |
| Ontario Trillium Foundation | - | 294,447 |
| Ministry of Health | 3,890,087 | 3,604,351 |
| North West Local Health Integration Network | 718,300 | 661,100 |
| | 15,646,448 | 18,133,481 |
| First Nations and Organizations | | |
| Services and recoveries | 4,225,365 | 3,338,134 |
| Nishnawbe Aski Nation | 1,296,319 | 1,091,556 |
| The District of Thunder Bay Social Services Administration Board | 1,377,780 | 313,737 |
| Indigenous Peoples Resilience Fund | 30,000 | - |
| Indigenous Primary Health Care Council | 188,629 | - |
| First Nation Confederacy of Cultural Centres | 17,527 | - |
| | 7,135,620 | 4,743,427 |
| Other | | |
| Interest | 93,990 | 19,220 |
| Miscellaneous | 2,100,583 | 1,078,671 |
| Rental | 130,301 | 144,808 |
| | 2,324,874 | 1,242,699 |

Matawa First Nations Management Notes to the Consolidated Financial Statements

For the year ended March 31, 2021

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> | 2021 | 2020 |
|--|-----------------------------|------------------------------|------------------|-------------|
| Revenue - services and recoveries (included in First Nations and Organizations) | 2,350,369 | 1,538,603 | 3,888,972 | 3,338,134 |
| Revenue - miscellaneous (included in Other) | 1,651,680 | - | 1,651,680 | 203,079 |
| Expenses - First Nation Project Contributions | - | - | 1,651,680 | 1,961,978 |
| Expenses - Student and Client Allowances | 660,060 | 1,111,564 | 1,771,624 | 725,459 |
| Expenses - Annual General Assembly | - | - | - | 33,000 |

18. Interfund transfer

An interfund transfer in the amount of \$10,374,314 (2020 - \$138,219) 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 \$479,890 (2020 - \$377,448).

20. Commitments

The Organization has a 66-month operating lease for a photocopier requiring quarterly payments of \$1,381, expiring in October 2023. Aggregate minimum lease payments to the expiry of the leases are as follows:

| | |
|------|-------|
| 2022 | 5,523 |
| 2023 | 5,523 |
| 2024 | 2,762 |

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 certain long-term debt, which has fixed interest rates ranging from 2.2% to 4.15% (2020 - 2.2% to 4.15%).

22. Comparative figures

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