

**MISSISSAUGAS OF SCUGOG ISLAND
FIRST NATION**

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2020

**MISSISSAUGAS OF SCUGOG ISLAND
FIRST NATION**

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MISSISSAUGAS OF SCUGOG ISLAND FIRST NATION

For The Year Ended March 31, 2020

MANAGEMENT REPORT

The accompanying consolidated financial statements of the Mississaugas of Scugog Island First Nation are the responsibility of management and have been approved by Council.

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

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

The First Nation Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving financial statements.

Council reviews and approves the First Nation financial statements for issuance to the members. Council meets periodically with management, as well as the external auditor, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities and to review the financial statements and the independent auditor's report.

The consolidated financial statements have been audited by Baker Tilly KDN LLP in accordance with Canadian generally accepted auditing standards on behalf of the members. Baker Tilly KDN LLP has full and free access to Council.

Chief

A handwritten signature in black ink, appearing to be the name of the Chief, positioned above a solid horizontal line.

Date

November 10, 2020

INDEPENDENT AUDITOR'S REPORT

To Council and the Members of Mississaugas of Scugog Island First Nation

Baker Tilly KDN LLP
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Peterborough, ON
Canada K9J 2V4

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Opinion

We have audited the consolidated financial statements of Mississaugas of Scugog Island First Nation and its local boards (the First Nation), which comprise the consolidated statement of financial position as at March 31, 2020, the consolidated statements of operations and accumulated surplus, change in net financial assets 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 First Nation as at March 31, 2020, and the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Basis for Opinion

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

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

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

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

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

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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 First Nation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the First Nation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the First Nation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the consolidated financial information of the entities or business activities within the First Nation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Baker Tilly KDN LLP

Chartered Professional Accountants
Licensed Public Accountants

Peterborough, Ontario
November 10, 2020

MISSISSAUGAS OF SCUGOG ISLAND FIRST NATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION At March 31, 2020

	2020 \$	2019 \$
FINANCIAL ASSETS		
Cash (note 2)	20,820,010	134,127,232
Investments (note 3)	124,792,916	130,490,330
Due from government and other government agencies (note 4)	1,285,362	2,063,017
Accounts receivable (note 5)	6,847,751	3,011,266
Mortgages due from First Nation members (note 6)	2,588,404	2,753,041
Funds held in trust by Federal Government (note 7)	11,851	11,851
TOTAL FINANCIAL ASSETS	156,346,294	272,456,737
LIABILITIES		
Accounts payable and accrued liabilities (note 8)	6,881,033	8,054,002
Deferred revenue (note 9)	3,329,453	6,077,674
Long term debt (note 11)	676,283	724,482
TOTAL LIABILITIES	10,886,769	14,856,158
NET FINANCIAL ASSETS	145,459,525	257,600,579
NON-FINANCIAL ASSETS		
Tangible capital assets (schedule 1)	46,820,285	26,181,598
Prepaid expenses (note 10)	129,288	117,938
Inventory	289,022	190,521
Land purchase deposits	-	2,518,987
TOTAL NON-FINANCIAL ASSETS	47,238,595	29,009,044
ACCUMULATED SURPLUS (note 12)	192,698,120	286,609,623
Accumulated surplus is comprised of:		
Accumulated operating surplus	188,802,338	276,011,138
Accumulated remeasurement gains	3,895,782	10,598,485
	192,698,120	286,609,623

Approved on behalf of the members:



Chief



Councillor



Councillor

The accompanying notes are an integral part of these financial statements

MISSISSAUGAS OF SCUGOG ISLAND FIRST NATION

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS For the Year Ended March 31, 2020

	Budget 2020 \$ (Unaudited)	Actual 2020 \$	Actual 2019 \$
REVENUES			
Indigenous Services Canada (ISC) (notes 15 and 16)	5,662,608	6,023,527	1,464,224
Other Government of Canada (note 16)	-	1,111,836	91,185,197
Canada Mortgage and Housing Corporation (note 16)	32,260	32,589	32,382
Province of Ontario contributions (note 16)	3,895,158	1,749,335	63,080,997
Commercial operations	21,869,702	20,708,455	23,069,295
Ontario First Nations Limited Partnership	1,120,928	541,066	624,477
Other	1,245,161	2,568,398	3,742,922
Interest earned on funds held in trust	-	632	1,040
Income from investments	2,839,040	1,846,609	2,522,769
Other interest income	300,000	6,505,735	1,466,568
<u>Loss on sale of tangible capital assets</u>	<u>-</u>	<u>-</u>	<u>(181,399)</u>
TOTAL REVENUES	36,964,857	41,088,182	187,008,472
EXPENSES			
Administration	5,544,074	105,592,293	38,156,491
Community services	6,089,149	3,929,140	3,361,778
Economic development	12,437,097	16,451,752	14,558,481
Education	976,964	791,197	702,529
Social development	51,808	28,003	35,182
Health	1,386,134	1,255,386	982,516
Housing	440,952	249,211	327,801
TOTAL EXPENSES	26,926,178	128,296,982	58,124,778
ANNUAL SURPLUS/(DEFICIT)	<u>10,038,679</u>	(87,208,800)	128,883,694
ACCUMULATED SURPLUS - beginning of year		276,011,138	147,127,444
ACCUMULATED SURPLUS - end of year		188,802,338	276,011,138

The accompanying notes are an integral part of these financial statements

MISSISSAUGAS OF SCUGOG ISLAND FIRST NATION

CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES For the Year Ended March 31, 2020

	Actual 2020 \$	Actual 2019 \$
ACCUMULATED REMEASUREMENT GAINS AND LOSSES - BEGINNING OF YEAR	10,598,485	8,122,076
Unrealized gain/(loss) on portfolio investments during the year	(6,250,505)	2,291,521
<u>Realized gain/(loss) on portfolio investments reclassified to operations</u>	<u>(452,198)</u>	<u>184,888</u>
NET REMEASUREMENT GAINS/(LOSSES)	(6,702,703)	2,476,409
ACCUMULATED REMEASUREMENT GAINS AND LOSSES - END OF YEAR	3,895,782	10,598,485

MISSISSAUGAS OF SCUGOG ISLAND FIRST NATION

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS For the Year Ended March 31, 2020

	Budget 2020 \$ (Unaudited)	Actual 2020 \$	Actual 2019 \$
ANNUAL SURPLUS/(DEFICIT)	10,038,679	(87,208,800)	128,883,694
Amortization of tangible capital assets	1,175,880	1,408,229	1,175,880
Acquisition of tangible capital assets	(12,612,572)	(22,046,916)	(4,281,800)
Loss on disposal of tangible capital assets	-	-	181,399
Proceeds on sale of tangible capital assets	-	-	16,000
Increase in prepaid expenses	-	(11,350)	(3,712)
Increase in inventory	-	(98,501)	(46,914)
<u>(Increase)/decrease in land purchase deposits</u>	<u>-</u>	<u>2,518,987</u>	<u>(2,518,987)</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(1,398,013)	(112,141,054)	125,881,969
NET FINANCIAL ASSETS - beginning of year	257,600,579	257,600,579	131,718,610
NET FINANCIAL ASSETS - end of year	256,202,566	145,459,525	257,600,579

The accompanying notes are an integral part of these financial statements

MISSISSAUGAS OF SCUGOG ISLAND FIRST NATION

CONSOLIDATED STATEMENT OF CASH FLOWS For the Year Ended March 31, 2020

	2020 \$	2019 \$
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Annual surplus/(deficit)	(87,208,800)	128,883,694
Items not involving cash		
Amortization of tangible capital assets	1,408,229	1,175,880
Loss on disposal of tangible capital assets	-	181,399
Writedown of investments	675,000	-
Unrealized loss/(gain) on investments	6,250,505	(2,291,521)
Realized (gain) on investments	(222,802)	(184,888)
Change in non-cash assets and liabilities		
Due from government and other government agencies	777,655	(1,856,523)
Accounts receivable	(3,836,485)	937,003
Prepaid expenses	(11,350)	(3,712)
Inventory	(98,501)	(46,914)
Land purchase deposits	2,518,987	(2,518,987)
Accounts payable and accrued liabilities	(1,172,969)	3,415,440
Deferred revenue	(2,748,221)	5,199,096
Net change in cash from operating activities	(83,668,752)	132,889,967
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(22,046,916)	(4,281,800)
Proceeds on disposal of tangible capital assets	-	16,000
Net change in cash from capital activities	(22,046,916)	(4,265,800)
INVESTING ACTIVITIES		
Advances of mortgages due from First Nation members	(4,060)	(141,935)
Repayments of mortgages due from First Nation members	168,697	248,566
Disposal of investments	10,664,119	35,699,707
Purchase of investments	(18,372,111)	(66,483,766)
Net change in cash from investing activities	(7,543,355)	(30,677,428)
FINANCING ACTIVITIES		
Repayment of long term debt	(48,199)	(49,700)
NET CHANGE IN CASH	(113,307,222)	97,897,039
CASH - beginning of year	134,127,232	36,230,193
CASH - end of year	20,820,010	134,127,232

The accompanying notes are an integral part of these financial statements

MISSISSAUGAS OF SCUGOG ISLAND FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with standards in the Chartered Professional Accountants Canada Public Sector Accounting (PSA) Handbook. Significant aspects of the accounting policies are as follows:

(a) Reporting Entity

These consolidated consolidated financial statements reflect the assets, liabilities, revenues and expenses and accumulated surplus of the reporting entity.

The reporting entity includes the reporting entity government and all related entities which are accountable to the First Nation and are either owned or controlled by the First Nation. These financial statements include:

- Noozhoo Nokiiyan GP Inc.
- Noozhoo Nokiiyan LP (NNLP)
- MSIFN (Island Road) Holdings Inc.

All interdepartmental assets and liabilities and revenues and expenses have been eliminated.

(b) Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, if any, of tangible capital assets is amortized on a straight-line basis, over the expected useful life of the asset, as follows:

Land improvements	10-20 years
Buildings	25 years
Computer equipment	5 years
Other equipment	5-10 years
Vehicles	5 years
Roads and bridges	20 years
Waste water treatment plant	13-21 years

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are also recorded as revenue.

Assets under construction are not amortized. When assets under construction are put into service they are transferred to the appropriate tangible capital asset classification.

MISSISSAUGAS OF SCUGOG ISLAND FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(c) Recognition of Revenues and Expenses

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period in which the transactions or events occurred that give rise to the revenue; expenses are recognized in the period the goods or services are acquired and a legal liability is incurred or transfers are due.

Government funding is recognized in the financial statements as revenue in the period in which events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made. Reimbursement for program costs is dependent ultimately upon their acceptance by the various agencies that fund the programs.

Revenues from commercial operations and other income are recorded when the services have been performed or the goods have been delivered. Income from investments and other interest income is recognized as earned over time or through changes in the fair value of financial instruments quoted in a public market.

(d) Non-financial Assets

Tangible capital and other non-financial assets are accounted for as assets by the First Nation because they can be used to provide services in future periods. These assets do not normally provide resources to discharge the liabilities of the First Nation unless they are sold.

(e) Deferred Revenue

Deferred revenue represents grants, user charges and fees which have been collected but for which the related services have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed.

(f) Use of Estimates

Certain items recognized in the financial statements are subject to measurement uncertainty. The recognized amounts of such items are based on the First Nation best information and judgment. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant. The First Nation significant estimates include:

- The amounts recorded for amortization and opening costs of tangible capital assets are based on estimates of useful life, residual values and valuation rates; and
- The amount recorded as allowance for doubtful accounts receivable is based on management's estimate of future payments on receivable account balances.

(g) Financial Instruments

The First Nation financial instruments consist of cash, investments, accounts receivable, mortgages receivable, accounts payable and accrued liabilities and long term debt. Unless otherwise noted, it is management's opinion that the carrying value of the financial instruments approximates their fair values.

MISSISSAUGAS OF SCUGOG ISLAND FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(h) Reserves and Reserve Funds

Certain amounts, as approved by Council, are set aside in reserves and reserve funds for future operating and capital purposes. Transfers to and/or from reserves and reserve funds are an adjustment to the respective fund when approved.

(i) Inventory

Inventory, which consists of goods available for resale, is recorded at the lower of cost, as determined by the first-in, first-out method, and market.

(j) Measurement uncertainty

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. The potential economic effects within the First Nation environment and in the global markets, possible disruption in supply chains, and measures being introduced at various levels of government to curtail the spread of the virus (such as travel restrictions, closures of non-essential municipal and private operations, imposition of quarantines and social distancing) could have a material impact on the entity's operations. The extent of the impact of this outbreak and related containment measures on the First Nation operations cannot be reliably estimated at this time.

As an emerging risk, the duration and full financial effect of the COVID-19 pandemic is unknown at this time, as is the efficacy of the government and central bank interventions, and other mitigating measures. Any estimate of the length and severity of these developments is therefore subject to significant uncertainty, and accordingly estimates of the extent to which the COVID-19 pandemic may materially and adversely affect the First Nation operations, financial results and condition in future periods are also subject to significant uncertainty. Therefore, uncertainty about judgements, estimates, and assumptions made by management during the preparation of the First Nation financial statements related to potential impacts of the COVID-19 outbreak on revenue, expenses, assets, liabilities, and note disclosures could result in a material adjustment to the carrying value of the asset or liability affected.

MISSISSAUGAS OF SCUGOG ISLAND FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2020

2. CASH

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

Cash consists of the following:

	2020	2019
	\$	\$
Externally Restricted Housing - CMHC	<u>87,814</u>	<u>78,014</u>
Internally Restricted		
Resource	10,465,592	106,174,386
Rent	3,296,537	1,449,851
Commercial account	4,680,981	8,004,823
Commercial operations	361,383	4,229,589
Licensing	324,016	319,366
Commerical rent	38,805	-
Education	31,796	19,482
	<u>19,199,110</u>	<u>120,197,497</u>
Unrestricted		
General	1,406,798	13,543,935
Noozhoon Nokiiyan Limited Partnership	122,088	303,286
Petty cash	4,200	4,500
	<u>1,533,086</u>	<u>13,851,721</u>
	<u><u>20,820,010</u></u>	<u><u>134,127,232</u></u>

MISSISSAUGAS OF SCUGOG ISLAND FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2020

3. INVESTMENTS

Investments are recorded as follows:

	2020 \$	2019 \$
Investments stated at fair value:		
RBC Guaranteed investment certificates, due June 15, 2022, 1.60%	4,596	4,596
BMO Harris Private Banking investment portfolio	45,690,505	49,522,054
CIBC Private Wealth Management investment portfolio	52,405,438	53,601,421
TD Wealth Private Investment Counsel	11,046,737	11,372,281
WeedMD Rx Inc.	236,144	1,100,151
CIBC Guaranteed investment certificates, due April 3, 2020, 2.25%	299,669	-
	<u>109,683,089</u>	<u>115,600,503</u>
Investments stated at amortized cost:		
Dunhill Power Limited Partnership	5,825,000	6,500,000
Sonco Gaming UK Limited	9,284,827	8,389,827
	<u>15,109,827</u>	<u>14,889,827</u>
	<u>124,792,916</u>	<u>130,490,330</u>

The BMO Harris Private Banking investment portfolio is internally restricted for the Future Generations fund (Note 12) in the amount of \$45,690,505 (2019 - \$49,522,054). The CIBC Private Wealth Management investment portfolio is internally restricted for the Islands of the Trent Settlement fund (Note 12) in the amount of \$2,811,989 (2019 - \$2,811,989).

During the year there was a writedown of the Dunhill Power LP investment of \$675,000.

4. DUE FROM GOVERNMENT AND OTHER GOVERNMENT ORGANIZATIONS

Amounts due from government and other government organizations consists of:

	2020 \$	2019 \$
Indigenous Services Canada (ISC)	4,674	17,066
Provincial government	613,789	1,929,959
HST	53,110	64,878
Federal government (SCF)	613,789	51,114
	<u>1,285,362</u>	<u>2,063,017</u>

MISSISSAUGAS OF SCUGOG ISLAND FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2020

5. ACCOUNTS RECEIVABLE

Accounts receivable consists of:

	2020 \$	2019 \$
Community Legacy Trust	3,971,279	-
Accrued investment interest	30,846	282,080
Ontario Lottery and Gaming Corporation	2,339,067	2,550,741
<u>Other receivables</u>	<u>506,559</u>	<u>178,445</u>
	<u>6,847,751</u>	<u>3,011,266</u>

6. MORTGAGES DUE FROM FIRST NATION MEMBERS

The amount shown as mortgages due from First Nation members of \$2,588,404 (2019 - \$2,753,041) represents the amount of funds due with respect to approved housing loans. The unexpended portion of approved loans is not recorded until an actual expenditure has been incurred. The First Nation members have a legal obligation to repay the full amount of the approved loans. The mortgages bear one time simple interest calculated in advance at 4%. The mortgages have varying maturity dates ranging up to 25 years.

7. FUNDS HELD IN TRUST BY THE FEDERAL GOVERNMENT

The funds held by the Federal Government on behalf of the First Nation of \$11,851 (2019 - \$11,851) are for the use of the First Nation for specific projects. At the request of the First Nation, these funds can be obtained. These amounts arise from funds derived from capital or revenue sources as outlined in Section 62 of the Indian Act. These funds are held in trust in the consolidated revenue fund of the Government of Canada and are subject to audit by the Office of the Auditor General of Canada.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

	2020 \$	2019 \$
Trade payables	2,731,244	3,166,503
Accrued salaries	176,494	137,199
Transfers payable	3,802,763	4,632,767
HST payable	99,119	83,129
<u>Payroll and withholding taxes payable</u>	<u>71,413</u>	<u>34,404</u>
	<u>6,881,033</u>	<u>8,054,002</u>

MISSISSAUGAS OF SCUGOG ISLAND FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2020

9. DEFERRED REVENUE

Included in deferred revenue are the following amounts:

	Balance March 31, 2019 \$	Funding Received 2020 \$	Revenue Recognized 2020 \$	Balance March 31, 2020 \$
Unearned rent	17,628	-	-	17,628
Indigenous Services Canada - capital housing projects	-	1,849,488	15,000	1,834,488
Union of Ontario Indians - COVID-19 funding	-	65,062	-	65,062
Williams Treaty First Nations	1,055,386	224,403	-	1,279,789
Indigenous Services Canada - lands management	51,235	-	51,235	-
Indigenous Services Canada - special education	80,745	-	80,745	-
Province of Ontario - Wiliams Treaty funding	281,092	-	281,092	-
Indigenous Services Canada - water project	4,266,054	-	4,266,054	-
Indigenous Services Canada - community based initiative	58,610	79,630	115,743	22,497
Indigenous Services Canada - preventative measures	110,290	-	110,290	-
Indigenous Services Canada - band representation services	132,456	-	132,456	-
Other	24,178	85,811	-	109,989
	6,077,674	2,304,394	5,052,615	3,329,453

10. PREPAID EXPENSES

Prepaid expenses consist of the following:

	2020 \$	2019 \$
Insurance	106,372	91,829
Other prepaids	22,916	26,109
	129,288	117,938

MISSISSAUGAS OF SCUGOG ISLAND FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2020

11. LONG TERM DEBT

- (a) The balance of long term debt reported on the Consolidated Statement of Financial Position is made up of the following:

	2020 \$	2019 \$
Mortgage 2.52%, due September 1, 2023, repayable in blended monthly payments of \$1,792.	318,723	331,377
Mortgage 2.22%, due September 1, 2023, repayable in blended monthly payments of \$1,667.	67,417	85,578
Mortgage 0.76%, due October 1, 2020, repayable in blended monthly payments of \$1,696.	290,143	307,527
	<u>676,283</u>	<u>724,482</u>

- (b) Interest expense on long term debt amounted to \$14,089 (2019 - \$13,020).
- (c) The above mortgages are secured by First Nation Council Resolution and guaranteed by Indigenous Services Canada (ISC).
- (d) Since it is the First Nation's intent to renew these mortgages as they mature, the future payments are based on the existing terms. Estimated principal repayments in each of the next five years are due as follows:

	Principal \$	Interest \$	Total \$
2021	50,159	12,129	13,067
2022	51,116	11,172	12,129
2023	52,093	10,195	11,172
2024	43,085	9,261	10,195
2025	33,683	8,607	9,261
2026 and subsequent years	<u>446,147</u>	<u>55,417</u>	<u>64,025</u>
	<u>676,283</u>	<u>106,781</u>	<u>119,849</u>

MISSISSAUGAS OF SCUGOG ISLAND FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2020

12. ACCUMULATED SURPLUS

Accumulated surplus consists of individual fund surplus/(deficit) and reserves and reserve funds as follows:

	2020 \$	2019 \$
Surplus/(Deficit)		
Operating	(4,631,151)	(3,642,862)
Noozho Nokiyan GP Inc.	(196,812)	(106,293)
Noozho Nokiyan LP (NNLP)	(4,141,137)	(901,944)
MSIFN (Island Road) Holdings Inc.	(32,244)	(23,829)
	(9,001,344)	(4,674,928)
Invested In Capital Assets		
Tangible capital assets - net book value	46,820,285	26,181,598
Long term debt	(676,283)	(724,482)
Unfunded capital (see below)	(3,628,307)	(2,087,833)
	42,515,695	23,369,283
Surplus	33,514,351	18,694,355
Restricted		
Housing Capital Reserve Fund - Phases 3, 4, and 5	87,814	78,014
Future Generations Fund	45,690,505	49,522,054
Community Betterment Fund	95,117,349	100,077,358
Lawn maintenance reserve	4,000	4,000
OFNLP reserve	4,916,576	4,734,293
Islands of the Trent Settlement	2,811,989	2,811,989
Sewer reserve	543,685	675,709
Williams Treaty Legacy Fund	-	100,000,000
Williams Treaty First Nations Reconciliation Fund	10,000,000	10,000,000
Total Reserves	159,171,918	267,903,417
Held in Trust by the Federal Government		
Held in Trust	11,851	11,851
	192,698,120	286,609,623

Unfunded capital represents the portion of the water treatment plant construction that has not yet been financed.

The restricted fund balances consists of funds set aside for specific purposes or to meet certain obligations as follows:

MISSISSAUGAS OF SCUGOG ISLAND FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2020

12. ACCUMULATED SURPLUS, continued

- (a) The Housing Capital Reserve Fund - Phases 3, 4 and 5 are treated as externally restricted funds. The fund balance represents amounts that have been restricted in compliance with an agreement with the Canada Mortgage and Housing Corporation.
- (b) The Future Generations Fund is treated as an externally restricted fund by the First Nation. This fund is set aside by the First Nation for the betterment of future generations.
- (c) The Community Betterment Fund is treated as an internally restricted fund by the First Nation. The First Nation sets aside the excess of revenue over expenditure from commercial operations in this fund. This fund covers the prior year operating deficit, if any.
- (d) The Lawn maintenance reserve is an internally restricted reserve to be used for future lawn maintenance expenditures.
- (e) The Islands of the Trent Settlement reserve is treated as an internally restricted fund by the First Nation to be used for future waste water treatment capital expenditures.
- (f) The OFNLP reserve is an internally restricted reserve to be used for future community projects.
- (g) The Sewer reserve is an internally restricted reserve to be used for future waste water treatment costs.
- (h) The Williams Treaty First Nation Reconciliation Fund is internally restricted by the First Nation until the implementation phase of the settlement is complete.

13. PENSION AGREEMENTS

The First Nation makes contributions to Manulife Financial on behalf of its staff. The amount of retirement benefit to be received by the employees will be the amount of retirement annuity that could be purchased based on the member's share of the pension plan at the time of the member's withdrawal from the plan.

The amount contributed by the First Nation for the year ended March 31, 2020 for current service and included as an expense on the Statement of Operations and Accumulated Surplus was \$146,917 (2019 - \$130,208).

14. BUDGET FIGURES

The budget, approved by the First Nation, for 2020 is reflected on the Consolidated Statement of Operations and Accumulated Surplus and the Consolidated Statement of Change in Net Financial Assets. The budgets established for capital investment in tangible capital assets are on a project-oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with current year's actual amounts. Budget figures have been reclassified for the purposes of these financial statements to comply with PSAB reporting requirements. Budget figures are not subject to audit.

MISSISSAUGAS OF SCUGOG ISLAND FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended March 31, 2020

15. RECONCILIATION OF ISC FUNDING TO FIRST NATION ISC REVENUE

	\$
2020 ISC Funding Per Confirmation	3,245,433
Add 2019 Deferred Revenue and Payables Retained	
Lands management	51,235
Preventative measures	110,290
Band representation services	132,456
Special education	80,745
Community based initiative	58,610
Water project	4,266,054
Less 2020 amounts received in 2019	(17,068)
	4,682,322
Less 2020 Deferred Revenue	
Community based initiatives	22,497
Capital housing projects	1,834,488
	1,856,985
Less Amounts Not Received or Spent During 2020	
Holdbacks	47,243
ISC Revenue For The Year	6,023,527

MISSISSAUGAS OF SCUGOG ISLAND FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2020

16. GOVERNMENT TRANSFERS

Government Transfers consist of the following:

	2020 \$	2019 \$
Indigenous Services Canada (ISC)		
Operating	6,023,527	1,464,224
Other Government of Canada		
Health Canada	-	266,391
Small Communities Fund	1,111,836	-
Other	-	6,665
Williams Treaty Settlement	-	90,863,985
Parks Canada	-	48,156
	<u>1,111,836</u>	<u>91,185,197</u>
Provincial government transfers	1,749,335	63,080,997
Canada Mortgage and Housing Corporation	32,589	32,382
	<u>8,917,287</u>	<u>155,762,800</u>

17. FINANCIAL INSTRUMENTS

The fair value of financial instruments is the amount of consideration that would be agreed upon in an arms' length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of cash, due from government and other government agencies, funds held in trust by Federal Government, accounts receivable and accounts payable and accrued liabilities approximates their carrying amounts due to their short-term maturities.

Financial instruments which are recorded at fair value are to be classified using a three-level hierarchy. Each level reflects the inputs used to measure the fair valued recorded on the financial statements, and are as follows:

- Level 1: Inputs are unadjusted quoted prices of identical instruments in active markets;
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Inputs for the liabilities that are not based on observable market data (unobservable inputs).

The First Nation's fair value hierarchy is classified as Level 1 for investments that are quoted in an active market. Investments in Dunhill Power Limited Partnership and Sonco Gaming UK Limited are recorded at amortized cost. Mortgages due from First Nation members are recorded at the exchange amount, equal to amortized cost. The fair values cannot be reliably determined because there is no active market for these instruments.

MISSISSAUGAS OF SCUGOG ISLAND FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2020

18. FINANCIAL RISK MANAGEMENT

The First Nation has exposure to the following risks:

(a) Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The First Nation's interest bearing financial instruments are subject to interest rate risk.

(b) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The First Nation has exposure to credit risk as the total of all receivables are significant. Management feels the risk is low as most of the receivables are due from various levels of government, First Nation members or rent receivables. Any receivables that management feels are uncollectible are allowed for.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issues, or factors affecting all similar financial instruments traded in the market.

(d) Other risk

The First Nation has risk with regards to the valuation of the investments recognized at amortized cost. These investments are not traded in an active market. Management assesses these investments for impairment annually and records any loss in the year the impairment is assessed.

19. CONTINGENT LIABILITIES

The First Nation, in the course of its operations, has been named in several lawsuits the outcome of which is indeterminable at this time. No amounts in connection with these items have been reflected in these financial statements.

MISSISSAUGAS OF SCUGOG ISLAND FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2020

20. SEGMENTED INFORMATION

Mississaugas of Scugog Island First Nation is a territorial government institution that provides a range of services to its members. First Nation services are reported by function and their activities are separately disclosed in the segmented information.

For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Certain allocation methodologies are employed in the preparation of segmented financial information.

The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1. For additional information see the Schedule of Segmented Disclosure.

Administration

Administration consists of the activities of Council and general financial and administrative management of the First Nation and its programs and services.

Community Operations

Community Operations include police, fire, public works and operation of waste management, water systems and buildings not included under other segments.

Economic Development

Economic development includes the operations of the resource centre, cottage and small business centre rentals and the various employment oriented programs of the First Nation.

Education

Education includes the on reserve school, off reserve schools and post secondary education.

Social Development

Social development consists of General Assistance to members and inhabitants of the First Nation, homes for the aged and child care services.

Health

Health services includes operations of the health centre, medical transportation, and various other health related programs of the First Nation.

MISSISSAUGAS OF SCUGOG ISLAND FIRST NATION

SCHEDULE OF TANGIBLE CAPITAL ASSETS For the Year Ended March 31, 2020

	Cost						Accumulated Amortization				Net Book Value	
	Opening Balance	Additions	Disposals	Transfers	Closing Balance	Opening Balance	Amortization \$	Other Adjustments \$	Closing Balance	2020		
										\$	\$	
Tangible Capital Assets												
Land	5,315,165	4,364,899	-	-	9,680,064	-	-	-	-	9,680,064	5,315,165	
Residential buildings	3,697,208	4,073,445	-	-	7,770,653	2,306,381	290,251	-	-	2,596,632	5,174,021	
Non-residential buildings	10,438,737	512,204	-	-	10,950,941	2,703,385	441,887	-	-	3,145,272	7,805,669	
Vehicles	350,681	152,054	47,000	-	455,735	239,148	65,203	47,000	257,351	198,384	7,735,352	
Computer equipment	52,631	-	-	-	52,631	52,631	-	-	52,631	-	111,533	
Other equipment	1,114,314	61,112	55,239	-	1,120,187	930,589	49,375	55,239	924,725	195,462	-	
Roads and bridges	242,066	-	-	-	242,066	145,241	12,103	-	157,344	84,722	183,725	
Waste water treatment plant	7,279,676	-	-	-	7,279,676	639,840	549,410	-	1,189,250	6,090,426	96,825	
	28,490,478	9,163,714	102,239	-	37,551,953	7,017,215	1,408,229	102,239	8,323,205	29,228,748	21,473,263	
Assets Under Construction												
Non-residential buildings	4,708,335	16,340	-	(4,685,111)	39,564	-	-	-	-	39,564	4,708,335	
Water treatment plant	-	12,866,862	-	4,685,111	17,551,973	-	-	-	-	17,551,973	-	
	4,708,335	12,883,202	-	-	17,591,537	-	-	-	-	17,591,537	4,708,335	
Total	33,198,813	22,046,916	102,239	-	55,143,490	7,017,215	1,408,229	102,239	8,323,205	46,820,285	26,181,598	

MISSISSAUGAS OF SCUGOG ISLAND FIRST NATION

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE For the Year Ended March 31, 2020

	Actual 2020 \$	Administration Actual 2019 \$	Budget 2020 \$	Actual 2020 \$	Community Services Actual 2019 \$	Budget 2020 \$	Actual 2020 \$	Economic Development Actual 2019 \$	Budget 2020 \$
Revenues									
Indigenous Services Canada (ISC)	631,288	1,063,423	556,362	4,588,111	245,306	4,473,909	85,918	70,043	270,043
Other Government of Canada	-	90,912,745	-	1,111,836	90,300	-	-	-	-
Province of Ontario Contributions	404,901	60,941,787	-	1,145,740	1,927,791	3,659,992	85,500	81,000	85,000
Commercial operations	-	-	-	-	-	-	20,708,455	23,069,295	21,869,702
Ontario First Nations Limited Partnership	54,790	94,919	538,503	201,893	141,830	189,977	-	-	-
Other	238,575	1,227,609	14,500	79,116	129,019	47,050	1,363,767	1,453,720	-
Interest earned on funds held in trust	632	1,040	-	-	-	-	-	-	-
Income from investments	1,846,609	2,522,769	2,839,040	-	-	-	-	-	-
Other interest income	6,505,735	1,466,568	300,000	-	-	-	-	-	-
Gain (loss) on sale of tangible capital assets	-	-	-	-	(181,399)	-	-	-	-
	9,682,530	158,230,860	4,248,405	7,126,696	2,352,847	8,370,928	22,243,640	24,674,058	22,224,745
Expenses									
Salaries and benefits	1,852,441	1,707,305	1,972,553	1,127,477	828,013	1,212,716	660,521	814,251	185,929
Materials	989,125	747,789	642,962	1,124,902	1,300,436	4,729,242	5,540,260	2,047,574	-
Contracted services	1,668,901	2,134,826	1,302,803	323,673	100,747	357,878	1,007,770	353,482	-
Bank charges and interest	4,230	3,038	4,000	-	-	-	-	-	-
Program costs	976,182	1,337,119	1,595,342	217,220	163,132	394,942	257,907	326,247	79,810
External transfers	100,075,000	32,200,000	-	-	-	-	9,787,792	7,520,191	10,119,734
Amortization	26,414	26,414	26,414	1,135,868	969,450	969,450	8,520	4,050	4,050
	105,592,293	38,156,491	5,544,074	3,929,140	3,361,778	6,089,149	16,451,752	14,558,481	12,437,097
Net deficit	(95,909,763)	120,074,369	(1,295,669)	3,197,556	(1,008,931)	2,281,779	5,791,888	10,115,577	9,787,648

MISSISSAUGAS OF SCUGOG ISLAND FIRST NATION

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE, continued For the Year Ended March 31, 2020

	Actual 2020 \$	Education Actual 2019 \$	Budget 2020 \$	Actual 2020 \$	Social Development Actual 2019 \$	Budget 2020 \$	Actual 2020 \$	Health Actual 2019 \$	Budget 2020 \$
									(Unaudited)
Revenues									
Indigenous Services Canada (ISC)	102,227	57,535	13,318	236,602	27,917	165,536	379,381	-	183,440
Other Government of Canada	-	-	-	-	-	-	-	182,152	-
Province of Ontario Contributions	4,364	8,728	19,851	2,670	15,236	23,900	106,160	106,455	106,415
Ontario First Nations Limited Partnership	153,582	308,925	192,951	-	-	-	130,801	78,803	199,497
Other	551,418	557,443	621,921	-	-	-	256,522	297,126	308,721
	811,591	932,631	848,041	239,272	43,153	189,436	872,864	664,536	798,073
Expenses									
Salaries and benefits	114,343	143,336	131,988	23,690	27,347	29,496	643,017	545,441	786,179
Materials	14,570	16,801	17,102	1,670	1,291	1,200	23,485	15,642	31,932
Contracted services	-	1,858	-	-	-	-	539	912	11,550
Program costs	662,284	540,534	827,874	2,643	6,544	21,112	435,289	313,522	449,474
Amortization	-	-	-	-	-	-	153,056	106,999	106,999
	791,197	702,529	976,964	28,003	35,182	51,808	1,255,386	982,516	1,386,134
Net deficit	20,394	230,102	(128,923)	211,269	7,971	137,628	(382,522)	(317,980)	(588,061)

MISSISSAUGAS OF SCUGOG ISLAND FIRST NATION

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE, continued For the Year Ended March 31, 2020

	Actual 2020 \$	Housing Actual 2019 \$	Budget 2020 \$	Actual 2020 \$	Consolidated Totals Actual 2019 \$	Budget 2020 \$
Revenues						
Indigenous Services Canada (ISC)	-	-	-	6,023,527	1,464,224	5,662,608
Other Government of Canada	-	-	-	1,111,836	91,185,197	-
Canada Mortgage and Housing	-	-	-	-	-	-
Corporation	32,589	32,382	32,260	32,589	32,382	32,260
Province of Ontario Contributions	-	-	-	1,749,335	63,080,997	3,895,158
Commercial operations	-	-	-	20,708,455	23,069,295	21,869,702
Ontario First Nations Limited Partnership	-	-	-	541,066	624,477	1,120,928
Other	79,000	78,005	252,969	2,568,398	3,742,922	1,245,161
Interest earned on funds held in trust	-	-	-	632	1,040	-
Income from investments	-	-	-	1,846,609	2,522,769	2,839,040
Other interest income	-	-	-	6,505,735	1,466,568	300,000
Gain (loss) on sale of tangible capital assets	-	-	-	-	(181,399)	-
	111,589	110,387	285,229	41,088,182	187,008,472	36,964,857
Expenses						
Salaries and benefits	63,834	55,915	80,905	4,485,323	4,121,608	4,399,766
Materials	41,706	123,041	90,296	6,924,700	7,745,260	5,985,229
Contracted services	36,826	59,000	122,907	3,037,709	2,650,825	1,795,138
Bank charges and interest	14,089	13,020	16,492	18,319	16,058	20,492
Program costs	8,385	7,858	61,385	2,559,910	2,694,956	3,429,939
External transfers	-	-	-	109,862,792	39,720,191	10,119,734
Amortization	84,371	68,967	68,967	1,408,229	1,175,880	1,175,880
	249,211	327,801	440,952	128,296,982	58,124,778	26,926,1178
Net surplus/(deficit)	(137,622)	(217,414)	(155,723)	(87,208,800)	128,883,694	10,038,679