

Consolidated Financial Statements of

Wiikwemkoong Unceded Territory

Year ended March 31, 2020

Wiikwemkoong Unceded Territory
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of the Wiikwemkoong Unceded Territory are the responsibility of management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies are described in Note 2 to these consolidated financial statements. The preparation of the consolidated financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.


The Wiikwemkoong Unceded Territory's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Chief and Council meets with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

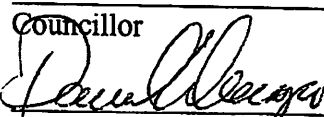
The consolidated financial statements have been audited by Freelandt Caldwell Reilly LLP, independent external auditors appointed by the Wiikwemkoong Unceded Territory. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Wiikwemkoong Unceded Territory's consolidated financial statements.



Chief

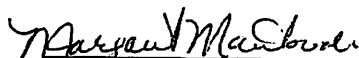


Councillor



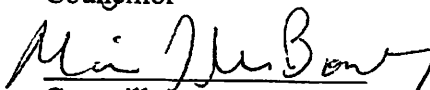
Councillor

Councillor

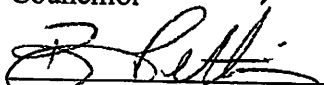


Councillor

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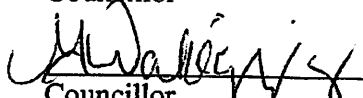


Councillor

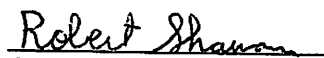


Councillor

Councillor



Councillor



Councillor

Councillor

To: Chief and Council of
Wiikwemkoong Unceded Territory

Opinion

We have audited the accompanying consolidated financial statements of the **Wiikwemkoong Unceded Territory**, which comprise the consolidated statement of financial position as at **March 31, 2020**, and the consolidated statements of operations, accumulated surplus, change in net debt, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Wiikwemkoong Unceded Territory as at March 31, 2020 and the results of its operations and its 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 entity in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

Our examination was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplementary information included in Schedules 1 through 25 is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the examination of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

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 or 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.

INDEPENDENT AUDITORS' REPORT, continued

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 entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITORS' REPORT, continued

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.

Freelandt Caldwell Reilly LLP

FREELANDT CALDWELL REILLY LLP
Chartered Professional Accountants
Licensed Public Accountants

Sudbury, Canada
October 13, 2020

WIKWEMKOONG UNCEDED TERRITORY**Consolidated Statement of Financial Position****March 31, 2020, with comparative figures for 2019**

	2020	2019
Financial assets		
Cash	\$ 8,003,132	\$ 4,042,987
Restricted cash (note 3)	4,263,750	4,522,243
Short-term investments (note 4)	11,219,426	12,238,735
Restricted funds held in trust in Ottawa (note 5)	145,770	137,393
Resident funds held in trust - Nursing Home residents (note 6)	213,650	199,237
Accounts receivable	5,345,631	4,904,687
Due from Indigenous Services Canada (note 7)	421,625	924,941
Note receivable (note 8)	463,852	455,502
Economic development loans receivable (note 9)	45,949	99,055
Mortgages receivable (note 10)	2,560,197	2,096,123
Investment in and advances to Your Dollar Store with More (note 11)	30,355	53,789
Other investments (notes 12, 13)	176	176
Total financial assets	32,713,513	29,674,868
Financial liabilities		
Accounts payable and accrued liabilities	7,752,186	7,698,789
Resident funds held in trust - Nursing Home residents (note 6)	213,650	199,237
Deferred contributions (note 15)	7,360,319	6,596,142
Promissory note payable to Indigenous Services Canada (note 16)	2,527,466	2,428,840
Payable to Ontario Ministry of Health and Long-Term Care (note 17)	1,152,872	1,349,006
Long-term debt (note 18)	28,049,179	25,698,235
Total financial liabilities	47,055,672	43,970,249
Net debt	(14,342,159)	(14,295,381)
Non-financial assets (note 19)		
Tangible capital assets (note 22)	65,085,914	57,667,486
Prepaid expenses	1,224,506	842,403
Total non-financial assets	66,310,420	58,509,889
Accumulated surplus (note 20)	\$ 51,968,261	\$ 44,214,508
Contingent liabilities (note 21)		

Approved on behalf of the Wiikwemkoong Unceded Territory Council:

Chief

WIKWEMKOONG UNCEDED TERRITORY
Consolidated Statement of Operations

March 31, 2020, with comparative figures for 2019

	2020	2019
Revenues:		
Indigenous Services Canada (note 23)		
Block contribution funding	\$ 21,796,941	\$ 17,597,187
Set contribution funding	1,594,626	440,453
Fixed contribution funding	8,354,577	8,111,085
Flexible contribution funding	114,806	188,083
Total Indigenous Services Canada	31,860,950	26,336,808
Other revenues	54,254,858	49,855,246
Deferred contributions, beginning of year (note 15)	6,596,142	4,330,872
Total revenues	92,711,950	80,522,926
Expenditures:		
Band Government	3,638,846	2,997,259
Social Assistance and Income Support	7,027,005	6,662,212
Social Development and Health Services	18,449,835	15,791,644
Community Operations and Maintenance	11,849,399	11,190,937
Employment Development	414,422	225,324
Housing and Other Projects	1,088,022	879,158
Other Programs	410,964	442,853
Wiikwemkoong Board of Education operations	20,181,584	17,570,037
Wikwemikong Development Commission operations	4,539,890	5,072,003
Social Housing Rentals	4,519,362	4,641,954
First Nation Enterprise Initiatives including Government Business Enterprises	3,495,779	3,711,695
Capital Projects and Major Repairs	1,734,926	2,131,505
Ontario First Nations Limited Partnership Distributions	115,320	127,093
Total expenditures (note 24)	77,465,354	71,443,674
Excess of revenues over expenditures, before undernoted items	15,246,596	9,079,252
Deferred contributions, end of year (note 15)	(7,360,319)	(6,596,142)
Funding repaid or repayable to funders	(132,524)	(620,692)
Excess of revenues over expenditures for the year	7,753,753	1,862,418

Budget information (note 26)

WIIKWEMKOONG UNCEDED TERRITORY**Consolidated Statement of Accumulated Surplus**

March 31, 2020, with comparative figures for 2019

	2020	2019
Accumulated surplus, beginning of year	44,214,508	42,352,090
Excess of revenues over expenditures for the year	7,753,753	1,862,418
Accumulated surplus, end of year	\$ 51,968,261	\$ 44,214,508

Budget information (note 26)

WIIKWEMKOONG UNCEDED TERRITORY
Consolidated Statement of Change in Net Debt

March 31, 2020, with comparative figures for 2019

	2020	2019
Excess of revenues over expenditures for the year	\$ 7,753,753	\$ 1,862,418
Amortization of tangible capital assets	3,932,422	3,397,774
Acquisition of tangible capital assets	(11,356,073)	(5,177,830)
Gain on disposal of tangible capital assets	(18,360)	-
Proceeds of disposition of tangible capital assets	23,583	-
Change in prepaid expenses	(382,103)	(49,538)
Decrease (increase) in net debt for the year	(46,778)	32,824
Net debt, beginning of year	(14,295,381)	(14,328,205)
Net debt, end of year	\$ (14,342,159)	\$ (14,295,381)

Budget information (note 26)

WIKWEMKOONG UNCEDED TERRITORY
Consolidated Statement of Cash Flows

March 31, 2020, with comparative figures for 2019

	2020	2019
Cash flows from operating activities:		
Excess of revenues over expenditures for the year	\$ 7,753,753	1,862,418
Items not involving cash:		
Gain on disposal of tangible capital assets	(18,360)	-
(Gain) loss on investment in Your Dollar Store with More	22,993	(56,477)
Amortization of tangible capital assets	3,932,422	3,397,774
	11,690,808	5,203,715
Change in non-cash items relating to operations:		
Accounts receivable and Due from Indigenous Services Canada	62,372	(421,596)
Prepaid expenses	(382,103)	(49,538)
Accounts payable and accrued liabilities	53,397	1,512,370
Payable to Ontario Ministry of Health and Long-Term Care	(196,134)	31,828
Deferred contributions	764,177	2,265,270
	11,992,517	8,542,049
Cash flows from (for) capital activities:		
Cash used to acquire tangible capital assets	(11,356,073)	(5,177,830)
Proceeds on disposal of tangible capital assets	23,583	-
	(11,332,490)	(5,117,830)
Cash flows from (for) financing activities:		
Promissory note payable to Indigenous Services Canada	98,626	140,060
Proceeds of long-term debt	4,616,892	3,882,283
Principal repayments of long-term debt	(2,265,948)	(1,910,129)
	2,449,570	2,112,214
Cash flows from (for) investing activities:		
Net recovery of (investment in) economic development loans receivable	53,106	9,243
Net advances on mortgages receivable	(464,074)	(446,448)
Recovery of investment in and advances to Your Dollar Store With More	441	23,465
Note receivable	(8,350)	(2,582)
Net transfers from (to) restricted cash accounts	258,493	(80,423)
Restricted funds held in trust in Ottawa reinvested	(8,377)	(8,563)
Redemption of (investment in) short-term investments	1,019,309	(6,392,357)
	850,548	(6,897,665)
Net change in cash for the year	3,960,145	(1,421,232)
Cash, beginning of year	4,042,987	5,464,219
Cash, end of year	\$ 8,003,132	\$ 4,042,987

WIKWEMKOONG UNCEDED TERRITORY

Notes to Consolidated Financial Statements

March 31, 2020

1. Nature of operations:

The Wiikwemkoong Unceded Territory is a First Nation located at the eastern end of Manitoulin Island in the Province of Ontario. The First Nation, under the direction of its Chief and Council and management, operate various programs for the benefit of its members, including municipal services, health services, economic development, housing, education and other services. The Wiikwemkoong Unceded Territory is a not-for-profit entity and is not taxable under the Canadian Income Tax Act.

2. Basis of presentation and significant accounting policies:

These consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards for local government entities established by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada. The significant accounting policies are summarized as follows:

(a) Reporting entity and basis of consolidation:

These consolidated financial statements include the assets, liabilities, accumulated surplus, revenues and expenditures of the First Nation government functions that have been determined to be accountable to the Wiikwemkoong Unceded Territory, ("the First Nation") and are either owned or under the control of the First Nation through its' Chief and Council. They include the Wiikwemkoong Board of Education, Wikwemikong Development Commission, the Wikwemikong Tribal Police Service, the Wikwemikong Nursing Home, the Wikwemikong Property Management Company Limited (operating as Rainbow Ridge Golf Course) and FirstTEL Communications Corporation.

The following entities have been accounted for in these consolidated financial statements using the modified equity method: 2404383 Ontario Ltd. (operating as Your Dollar Store With More) and Great Lakes Hospitality Group Limited Partnership.

All inter-entity balances have been eliminated on consolidation, but in order to present the results of the operations for specific functional areas, transactions amongst functional areas have not necessarily been eliminated on the individual supplementary schedules.

Other investments in non-controlled entities are recorded at the lower of cost and net realizable value.

WIKWEMKOONG UNCEDED TERRITORY

Notes to Consolidated Financial Statements

March 31, 2020

2. Basis of presentation and significant accounting policies, continued:

(b) Basis of accounting:

Revenues and expenditures are reported using the accrual basis of accounting. Revenues are recognized as they are earned and measurable. Expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(c) Cash:

Cash and cash equivalents consist of unrestricted cash on hand and balances held by major financial institutions.

(d) Short-term investments:

Short-term investments are recorded at the lower of cost and fair market value. The investments are held for short-term unspecified purposes and are generally comprised of monthly interest paying investment accounts, term deposits and guaranteed investment certificates with major financial institutions, and have maturities within one year.

(e) Tangible capital assets:

Tangible capital assets are recorded at cost. The First Nation provides for amortization using the straight-line method designed to amortize the cost, less any residual value, of the tangible capital asset over the estimated useful life of the asset. The annual amortization rates are as follows:

Asset	Basis	Rate
Buildings and building additions	straight-line	10-40 years
Water and electrical systems	straight-line	10 & 50 years
Roads	straight-line	10-40 years
Vehicles	straight-line	3-10 years
Furniture, equipment and other	straight-line	1-10 years
Computer hardware and software	straight-line	2-5 years
Infrastructure projects	straight-line	10 years

WIIKWEMKOONG UNCEDED TERRITORY

Notes to Consolidated Financial Statements

March 31, 2020

2. Basis of presentation and significant accounting policies, continued:

(f) Financial instruments:

Measurement of financial instruments

The First Nation initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument. Amounts due to and from related parties are measured at the exchange amount, being the amount agreed upon by the related parties.

The First Nation subsequently measures its financial assets and financial liabilities at amortized cost, except for investments in equity securities that are quoted in an active market, which are subsequently measured at fair value. Changes in fair value are recognized in the consolidated statement of operations in the period they occur.

Financial assets measured at amortized cost include cash, restricted cash, short-term investments, restricted funds held in trust in Ottawa, resident funds held in trust (Nursing Home residents), accounts receivable, due from Indigenous Services Canada, note receivable, economic development loans receivable, and mortgages receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, resident funds held in trust (Nursing Home residents), promissory note payable to Indigenous Services Canada, payable to Ontario Ministry of Health and Long-term Care, and long-term debt.

Impairment

Financial assets measured at other than fair value are tested for impairment when there are indicators of possible impairments. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in the consolidated statement of operations.

When events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in the consolidated statement of operations, in the period it is identified and measurable, up to the amount of the previously recognized impairment.

WIIKWEMKOONG UNCEDED TERRITORY

Notes to Consolidated Financial Statements

March 31, 2020

2. Basis of presentation and significant accounting policies, continued:

(g) Revenue recognition and deferred contributions:

Revenue from government grants and contributions are recognized in the period that the events giving rise to the government transfer have occurred as long as the transfer is authorized, the eligibility criteria, if any, have been met, and the amount can reasonably be estimated. Funding received under the funding arrangement, which relates to a subsequent fiscal period and the unexpended portions of contributions received for specific purposes are reflected as deferred contributions in the year of receipt and are recognized as revenue in the period in which all the recognition criteria have been met. Other revenues including certain user fees, rents and interest are recorded on the accrual basis when earned and the amounts can be reasonably estimated, and collection is reasonably assured.

(h) Retirement and Post-Employment Benefits:

The First Nation provides retirement and post-employment benefits to certain employee groups. These benefits include pension, health and dental benefits. The First Nation has adopted the following policies with respect to accounting for these employee benefits:

- i) The liability for post-employment benefits is determined using management's best estimate of health care costs, employee turnover rates and discount rates. Adjustments to these costs arising from plan amendments and changes in estimates are accounted for in the period of the amendment or change.
- ii) The expense related to the multi-employer defined benefit pension plan is the employer's contributions to the plan in the year.
- iii) The discount rate used in the determination of post-employment benefits is equal to the First Nation's internal rate of borrowing.

(i) Use of estimates:

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the consolidated financial statements and reported amounts of certain revenues and expenditures during the reporting period. By their nature, these estimates are subject to measurement uncertainty. The effect of changes in such estimates on the consolidated financial statements in future periods could be significant. Accounts specifically affected by estimates in these consolidated financial statements are certain accounts receivable, allowance for doubtful accounts, certain deferred contributions, amounts repayable to certain funders, impairment of certain long-term investments, and estimated useful lives and impairment of tangible capital assets.

WIKWEMKOONG UNCEDED TERRITORY

Notes to Consolidated Financial Statements

March 31, 2020

3. Restricted cash:

Restricted cash is comprised of bank account balances supporting Canada Mortgage and Housing Corporation (CMHC) replacement reserves, subsidy surplus reserves and operating reserves.

Under the terms of agreements with CMHC amounts are to be credited annually to replacement reserves and, where applicable, may be credited to the subsidy surplus and operating reserves. These funds must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by Canada Mortgage and Housing Corporation. Withdrawals are credited to interest first and then principal.

4. Short-term investments:

Short-term investments are presented at their cost value and consist of:

	2020	2019
Toronto Dominion - interest bearing current account	\$10,930,830	\$12,232,948
Bank of Montreal - business account	283,472	663
Other	5,124	5,124
	<u>\$11,219,426</u>	<u>\$12,238,735</u>

The fair market values of the investments approximate their carrying value.

5. Restricted funds held in trust in Ottawa:

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

6. Resident funds held in trust – Nursing Home residents:

The resident funds held in trust are funds held by the Wikwemikong Nursing Home in trust for residents, for resident fees and for purchases made by the residents.

WIIKWEMKOONG UNCEDED TERRITORY

Notes to Consolidated Financial Statements

March 31, 2020

7. Due from Indigenous Services Canada

Due from Indigenous Services Canada (ISC) represents funding receivable from ISC in accordance with funding arrangements between the First Nation and ISC. The amounts are unsecured and non-interest bearing.

8. Note receivable:

The note receivable is from Great Lakes Hospitality Group Limited Partnership (GLHGLP), bears interest at prime plus 5% per annum and is due on demand. The note is secured by the First Nation's registered mortgage of the hotel property to a maximum \$1,000,000, (4th ranking). See note 12 and note 21 for additional details of the First Nation's investment in GLHGLP.

During the year, the First Nation was required to make capital contributions to the GLHGLP. These contributions were made in the form of reducing this note receivable:

	2020	2019
Opening balance	\$ 455,502	\$ 452,920
Interest accrual	22,636	24,645
Capital contributions to GLHGLP	(14,286)	(22,063)
	\$ 463,852	\$ 455,502

9. Economic development loans receivable:

The loans are unsecured, bear interest at 0% - 5% per annum, and contain repayment terms which vary between 1 and 10 years. The loans are administered by the Wikwemikong Development Commission. During the year a total of \$7,461 (2019 - \$ 9,412) of new loans were provided to First Nation members for the purpose of economic development.

10. Mortgages receivable:

The First Nation issues mortgages to qualifying band members. The mortgages are secured by specific property, bear interest at 2.34% to 4.64% per annum, and are amortized over 25 years, with a 5 year term. During the year, 5 new mortgages were issued totalling \$564,228 (2019 - 3 new mortgages totalling \$260,005).

WIKWEMKOONG UNCEDED TERRITORY

Notes to Consolidated Financial Statements

March 31, 2020

11. Investment in and advances to Your Dollar Store With More:

The First Nation holds a 100% ownership interest in 2404383 Ontario Ltd., operating as Your Dollar Store With More. The corporation operates a retail operation on the First Nation.

	2020	2019
Common shares	\$ 100	\$ 100
Advances	95,861	96,302
Allowance for investment write-down	(65,606)	(42,613)
	<u>\$ 30,355</u>	<u>\$ 53,789</u>

The investment is accounted for using the modified equity method reflecting the First Nation's 100% ownership share of the corporation's operations for the current and prior years.

	2020	2019
Opening balance	\$ 53,789	\$ 20,777
First Nation's share of net income (loss) of Your Dollar Store With More	(22,993)	56,478
Advances to (repayment from) Your Dollar Store With More during the year, and other adjustments	(441)	(23,466)
	<u>\$ 30,355</u>	<u>\$ 53,789</u>

The following summarizes the assets, liabilities, shareholder's equity, revenues, and expenses of Your Dollar Store With More:

	2020	2019
Assets:		
Current assets	\$ 175,769	\$ 157,080
Equipment and leasehold improvements	39,581	49,571
Incorporation costs	1,651	1,651
Franchise fee	8,000	10,000
	<u>\$ 225,001</u>	<u>\$ 218,302</u>

WIKWEMKOONG UNCEDED TERRITORY

Notes to Consolidated Financial Statements

March 31, 2020

11. Investment in and advances to Your Dollar Store With More, continued:

	2020	2019
Liabilities and shareholder's deficit:		
Current liabilities	\$ 194,396	\$ 164,513
Amounts from Wikwemikong Development Commission	96,111	96,302
Share capital	100	100
Shareholder's deficit	(65,606)	(42,613)
	\$ 225,001	\$ 218,302

	2020	2019
Revenues	\$ 645,813	\$ 708,456
Expenses	(668,806)	(651,978)
Net earnings (loss)	\$ (22,993)	\$ 56,478

12. Investment in and advances to Great Lakes Hospitality Group Limited Partnership:

The First Nation holds a non-controlling limited partnership interest in Great Lakes Hospitality Group Limited Partnership (GLHGLP). This partnership operates a hotel in Little Current, Ontario, which commenced operations in May 2013. The partnership is between 7043821 Canada Inc., the First Nation which holds an 11.5% interest and other First Nations from in and around the Manitoulin Island area. See note 8 and note 21 for additional information on the First Nation's investment in GLHGLP. The carrying value of the investment of \$1,205,538 has been adjusted to its estimated net recoverable amount.

	2020	2019
Investment in Great Lakes Hospitality Group		
Limited Partnership	\$ 1,205,358	\$1,191,072
Provision for adjustment to estimated net recoverable amount	(1,205,358)	(1,191,072)
	\$ -	\$ -

WIKWEMKOONG UNCEDED TERRITORY

Notes to Consolidated Financial Statements

March 31, 2020

13. Other investments:

The First Nation holds an interest in N'Swakamok Forestry Corporation. The investment has been reflected in the accompanying consolidated financial statements using the cost method and has been written down a nominal amount of \$1 for permanent decline in value related to ongoing operating losses.

The First Nation holds a non-controlling interest in UCCM Building Material Supply Company Ltd. The investment has been reflected in the accompanying consolidated financial statements using the cost method at \$1.

The First Nation holds a 100% controlling interest in 2228293 Ontario Limited. The corporation's operations have had no significant activities and the investment has been reflected in the accompanying consolidated financial statements using the cost method.

The First Nation and 2228293 Ontario Limited together hold a 100% controlling interest in Wikwemikong Renewable Energy Limited Partnership. The partnership holds several interests in other partnerships that invest in solar energy projects. The investment has been reflected in the accompanying consolidated financial statements using the cost method at \$172. During the year, there were no contributions made to the Partnership. Also, the First Nation received minimal distributions from the Partnership, which are included in income.

The First Nation holds 1 share of the Ontario First Nations Asset Management Corporation, and a 2.2337% interest in the Ontario First Nations Sovereign Wealth Limited Partnership. The Partnership and Corporation control other partnerships that own shares of Hydro One and hold capital wealth funds. These investments have been reflected in the accompanying consolidated financial statements using the cost method at \$2 respectively. During the year, there were no other contributions made to the Partnership. The First Nation did not receive any distributions from the Partnership during the year.

WIKWEMKOONG UNCEDED TERRITORY

Notes to Consolidated Financial Statements

March 31, 2020

14. Bank indebtedness:

- a) An operating line of credit, for the Wiikwemkoong Unceded Territory, has been approved by TD Canada Trust to a maximum of \$250,000. The operating line bears interest at the bank's prime lending rate plus 0.50% per annum, interest payable monthly and is payable on demand. The operating line is secured by a general security agreement. At March 31, 2020, no funds have been drawn on this operating line (2019 - \$nil).
- b) An operating line of credit, for the Wikwemikong Development Commission, has been approved by TD Canada Trust to a maximum of \$500,000, payable in monthly blended payments of principal and interest. The amount of each payment and the rate of interest to be determined at the discretion of TD Canada Trust at time of drawdown. At March 31, 2020, \$312,031 was drawn on this operating line (2019 - \$nil).
- b) An operating line of credit, for the Wikwemikong Development Commission, has been approved by TD Canada Trust to a maximum of \$100,000. On December 27, 2019 this line was given a temporary increase to \$1,000,000 until March 31, 2020 at which time it was reduced to \$400,000. The line will be reduced further, to \$100,000, by June 30, 2020. The operating line is payable on demand, bears interest at the bank's prime lending rate plus 0.50% per annum. Interest is payable monthly. The operating line is secured by a general security agreement and is guaranteed by the Wiikwemkoong Unceded Territory. At March 31, 2020, no funds have been drawn on this operating line (2019 - \$nil).
- c) An operating line of credit, for Wii Ni'Guch Tood (a program of the First Nation), has been approved by TD Canada Trust to a maximum of \$300,000. The operating line bears interest at the bank's prime lending rate plus 0.50% per annum, interest payable monthly and is payable on demand. The operating line is secured by a general security agreement. At March 31, 2020, no funds have been drawn on this operating line, (2019 - \$nil).
- d) Your Dollar Store With More has an operating line of credit with TD Canada Trust authorized to a maximum of \$150,000. The operating line bears interest at the bank's prime lending rate plus 1.00% per annum, interest payable monthly and is payable on demand. The operating line is secured by an unlimited guarantee of the advances by the Wikwemikong Development Commission. At March 31, 2020 \$136,667 (2019 - \$107,333) had been drawn on this operating line.
- e) An operating line of credit, for the Wikwemikong Tribal Police Service, has been approved by TD Canada Trust to a maximum of \$150,000. The operating line bears interest at the bank's prime lending rate plus 0.50% per annum, interest payable monthly and is payable on demand. The operating line is secured by a general security agreement. At March 31, 2020, no funds have been drawn on this operating line, (2019 - \$nil).

WIKWEMKOONG UNCEDED TERRITORY

Notes to Consolidated Financial Statements

March 31, 2020

15. Deferred contributions:

Deferred contributions consist of the following:

	2020	2019
Indigenous Services Canada	\$ 3,939,926	\$ 2,524,836
Health Canada	1,021,939	2,677,859
Natural Resources Canada	972,376	-
Human Resource and Skills Development Canada	897,186	623,193
Ministry of Attorney General	130,484	104,824
Federal Funding - Policing	113,815	120,993
Provincial Funding - Policing	106,430	113,141
Province of Ontario – GreenOn	-	328,400
Other Funding Agencies	178,163	102,896
	\$ 7,360,319	\$ 6,596,142

16. Promissory note payable to Indigenous Services Canada

The promissory note payable to Indigenous Services Canada, funds native land claim expenditures and is non-interest bearing, unsecured, with no specified terms of repayment.

17. Payable to the Ontario Ministry of Health and Long-term Care:

Amounts payable to the Ontario Ministry of Health and Long-term Care are comprised of contribution funding received in excess of eligible expenditures incurred at the Wikwemikong Nursing Home. The repayable amounts are unsecured and non-interest bearing. The amounts payable have no specified terms of repayment. The breakdown of the cumulative December 31 year end totals, by year, are as follows:

2016	275,682
2017	492,481
2018	217,622
2019	167,087
Cumulative year end totals	\$ 1,152,872

WIKWEMKOONG UNCEDED TERRITORY**Notes to Consolidated Financial Statements**

March 31, 2020

18. Long-term debt:

	2020	2019
Canada Mortgage and Housing Corporation mortgage. Repayable by monthly instalments of \$5,067, including interest at 1.39% per annum, due June 2020. Insured by Canada Mortgage and Housing Corporation.	\$ 835,408	\$ 884,238
Canada Mortgage and Housing Corporation mortgage. Repayable by monthly instalments of \$6,788, including interest at 1.08% per annum, due August 2020. Insured by Canada Mortgage and Housing Corporation.	402,728	479,378
Canada Mortgage and Housing Corporation mortgage. Repayable by monthly instalments of \$4,590, including interest at 1.08% per annum, due August 2020. Insured by Canada Mortgage and Housing Corporation.	542,502	591,437
Canada Mortgage and Housing Corporation mortgage. Repayable by monthly instalments of \$4,845, including interest at 1.11% per annum, due April 2021. Insured by Canada Mortgage and Housing Corporation.	341,900	395,923
Canada Mortgage and Housing Corporation mortgage. Repayable by monthly instalments of \$1,442, including interest at 1.11% per annum, due April 2021. Insured by Canada Mortgage and Housing Corporation.	100,407	116,500
Canada Mortgage and Housing Corporation mortgage. Repayable by monthly instalments of \$2,917, including interest at 1.14% per annum due June 2021. Insured by Canada Mortgage and Housing Corporation.	202,904	235,390
Canada Mortgage and Housing Corporation mortgage. Repayable by monthly instalments of \$2,009, including interest at 1.14% per annum, due May 2021. Insured by Canada Mortgage and Housing Corporation.	27,939	51,594
Subtotal carried forward to next page	\$ 2,453,788	\$ 2,754,460

WIKWEMKOONG UNCEDED TERRITORY**Notes to Consolidated Financial Statements**

March 31, 2020

18. Long-term debt, continued:

	2020	2019
Balance carried forward from prior page	\$ 2,453,788	\$ 2,754,460
Canada Mortgage and Housing Corporation mortgage. Repayable by monthly instalments of \$4,612, including interest at 1.14% per annum, due June 2021. Insured by Canada Mortgage and Housing Corporation.	580,100	628,530
Canada Mortgage and Housing Corporation mortgage. Repayable by monthly instalments of \$3,577, including interest at 1.31% per annum, due November 2021. Insured by Canada Mortgage and Housing Corporation.	70,735	112,440
Canada Mortgage and Housing Corporation mortgage. Repayable by monthly instalments of \$7,244, including interest at 1.43% per annum, due April 2022. Insured by Canada Mortgage and Housing Corporation.	178,328	262,051
Canada Mortgage and Housing Corporation mortgage. Repayable by monthly instalments of \$4,097, including interest at 1.43% per annum, due April 2021. Insured by Canada Mortgage and Housing Corporation.	331,058	375,148
Canada Mortgage and Housing Corporation mortgage. Repayable by monthly instalments of \$5,938, including interest at 1.30% per annum, due June 2022. Insured by Canada Mortgage and Housing Corporation.	796,521	856,995
Canada Mortgage and Housing Corporation mortgage. Repayable by monthly instalments of \$5,466, including interest at 1.30% per annum, due June 2022. Insured by Canada Mortgage and Housing Corporation.	453,625	512,899
Canada Mortgage and Housing Corporation mortgage. Repayable by monthly instalments of \$4,153, including interest at 1.97% per annum, due December 2022. Insured by Canada Mortgage and Housing Corporation.	913,818	945,340
Subtotal carried forward to next page	\$ 5,777,973	\$ 6,447,863

WIIKWEMKOONG UNCEDED TERRITORY**Notes to Consolidated Financial Statements**

March 31, 2020

18. Long-term debt, continued:

	2020	2019
Balance carried forward from prior page	\$ 5,777,973	\$ 6,447,863
Canada Mortgage and Housing Corporation mortgage. Repayable by monthly instalments of \$10,085, including interest at 1.30% per annum, due June 2022. Insured by Canada Mortgage and Housing Corporation.	1,869,656	1,965,696
Canada Mortgage and Housing Corporation mortgage. Repayable by monthly instalments of \$7,398, including interest at 2.13% per annum, due October 2022. Insured by Canada Mortgage and Housing Corporation.	962,622	1,030,150
Canada Mortgage and Housing Corporation mortgage. Repayable by monthly instalments of \$6,630 including interest at 2.05% per annum, due December 2021, Insured by Canada Mortgage and Housing Corporation.	136,653	212,569
Canada Mortgage and Housing Corporation mortgage. Repayable by monthly instalments of \$5,311, including interest at 1.97% per annum, due December 2022. Insured by Canada Mortgage and Housing Corporation.	718,414	767,492
Canada Mortgage and Housing Corporation mortgage. Repayable by monthly instalments of \$6,617, including interest at 2.39% per annum, due March 2023. Insured by Canada Mortgage and Housing Corporation.	567,056	632,072
Canada Mortgage and Housing Corporation mortgage. Repayable by monthly instalments of \$1,722, including interest at 2.50% per annum, due June 2023. Insured by Canada Mortgage and Housing Corporation.	151,413	167,886
Canada Mortgage and Housing Corporation mortgage. Repayable by monthly instalments of \$4,678, including interest at 2.50% per annum, due April 2023. Insured by Canada Mortgage and Housing Corporation.	166,746	217,764
Subtotal carried forward to next page	\$ 10,350,533	\$ 11,441,492

WIKWEMKOONG UNCEDED TERRITORY

Notes to Consolidated Financial Statements

March 31, 2020

18. Long-term debt, continued:

	2020	2019
Balance carried forward from prior page	\$ 10,350,533	\$ 11,441,492
Canada Mortgage and Housing Corporation mortgage. Repayable by monthly instalments of \$3,448, including interest at 2.52% per annum, due September 2023. Insured by Canada Mortgage and Housing Corporation.	468,454	497,653
Canada Mortgage and Housing Corporation mortgage. Repayable by monthly instalments of \$9,054, including interest at 2.11% per annum, due June 2024. Insured by Canada Mortgage and Housing Corporation.	859,578	949,686
Canada Mortgage and Housing Corporation mortgage. Repayable by monthly instalments of \$1,583, including interest at 2.11% per annum, due June 2024. Insured by Canada Mortgage and Housing Corporation.	150,316	166,073
Canada Mortgage and Housing Corporation mortgage. Repayable by monthly instalments of \$11,192, including interest at 1.69% per annum, due September 2024. Insured by Canada Mortgage and Housing Corporation.	1,700,367	1,804,338
Canada Mortgage and Housing Corporation mortgage. Repayable by monthly instalments of \$7,107, including interest at 1.62% per annum, due September 2024. Insured by Canada Mortgage and Housing Corporation.	674,962	747,949
Canada Mortgage and Housing Corporation mortgage. Repayable by monthly instalments of \$1,500, including interest at 1.83% per annum, due December 2024. Insured by Canada Mortgage and Housing Corporation.	159,438	174,378
Canada Mortgage and Housing Corporation mortgage. Repayable by monthly instalments of \$2,862, including interest at 1.83% per annum, due September 2024. Insured by Canada Mortgage and Housing Corporation.	148,275	179,599
Subtotal carried forward to next page	\$ 14,511,923	\$ 15,961,168

WIKWEMKOONG UNCEDED TERRITORY

Notes to Consolidated Financial Statements

March 31, 2020

18. Long-term debt, continued:

	2020	2019
Balance carried forward from prior page	\$ 14,511,923	\$ 15,961,168
Canada Mortgage and Housing Corporation mortgage. Repayable by monthly instalments of \$2,828, including interest at 1.04% per annum due March 2021. Insured by Canada Mortgage and Housing Corporation.	640,107	667,232
Canada Mortgage and Housing Corporation mortgage. Repayable by monthly instalments of \$5,006, including interest at 1.08% per annum, due July 2020. Insured by Canada Mortgage and Housing Corporation	19,983	79,494
Canada Mortgage and Housing Corporation mortgage. Repayable by monthly instalments of \$2,180, including interest at 0.98% per annum, due June 2020. Insured by Canada Mortgage and Housing Corporation.	475,069	496,459
Canada Mortgage and Housing Corporation mortgage. Repayable by monthly instalments of \$4,670, including interest at 1.05% per annum, due April 2020. Insured by Canada Mortgage and Housing Corporation.	531,844	582,013
Canada Mortgage and Housing Corporation mortgage. Repayable by monthly instalments of \$4,980, including interest at 1.46% per annum, due March 2022. Insured by Canada Mortgage and Housing Corporation.	1,124,492	1,167,506
Canada Mortgage and Housing Corporation mortgage. Repayable by monthly instalments of \$2,847, including interest at 1.35% per annum, due May 2022. Insured by Canada Mortgage and Housing Corporation.	619,842	645,460
Canada Mortgage and Housing Corporation mortgage. Repayable by monthly instalments of \$4,858 including interest at 2.50% per annum, due July 2023. Insured by Canada Mortgage and Housing Corporation.	657,545	698,892
Subtotal carried forward to next page	\$ 18,580,805	\$ 20,298,224

WIKWEMKOONG UNCEDED TERRITORY**Notes to Consolidated Financial Statements**

March 31, 2020

18. Long-term debt, continued:

	2020	2019
Balance carried forward from prior page	\$ 18,580,805	\$ 20,298,224
TD Canada Trust term loan. Repayable by monthly instalments of \$1,849, plus interest at prime plus 0.75% per annum, due June 2020, secured by a general security agreement and assignment of insurance.	369,968	409,965
TD Canada Trust term loan. Repayable by monthly instalments of \$10,992, including interest at 3.28% per annum, due January 2021. Secured by a general security agreement and assignment of property fire insurance.	106,014	232,228
TD Canada Trust term loan. Repayable by monthly instalments of \$1,037, including interest at 3.28% per annum, due January 2021. Secured by a general security agreement and assignment of property fire insurance.	9,949	21,855
Canada Mortgage and Housing Corporation mortgage. Repayable by monthly instalments of \$1,321, including principal and interest at 7.9% per annum, due November 2021, secured by specific property.	28,308	41,382
Royal Bank of Canada vehicle loans. Repayable by monthly instalments totalling \$3,032, including interest between 0% and 4.99% per annum, due between 2021 and 2024, secured by specific vehicles.	61,364	20,375
TD Canada Trust operating loan. Repayable by monthly instalments of \$10,339, plus interest at prime plus 0.50% per annum, due January 2029, secured by a general security agreement and assignment of insurance.	1,075,300	1,209,712
Canada Mortgage and Housing Corporation forgivable loan. To be forgiven over 15 years at the rate of \$156,565 per annum, maturing May 31, 2034.	2,348,470	1,573,475
Subtotal carried forward to next page	\$ 22,580,178	\$ 23,807,216

WIIKWEMKOONG UNCEDED TERRITORY

Notes to Consolidated Financial Statements

March 31, 2020

18. Long-term debt, continued:

	2020	2019
Balance carried forward from prior page	\$ 22,580,178	\$ 23,807,216
TD Canada Trust operating loan. Repayable by monthly instalments of \$16,708, plus interest at prime plus 0.50% per annum, due November 2029, secured by a general security agreement and assignment of insurance.	1,579,964	1,379,808
Canada Mortgage and Housing Corporation mortgage. Repayable by monthly instalments of \$4,238, plus interest at 2.59% per annum, due May 2024. Insured by Canada Mortgage and Housing Corporation.	711,705	511,211
Canada Mortgage and Housing Corporation, construction advances. Expected to be converted to mortgage with terms that include monthly payments of \$4,862 plus interest at 1.87% per annum and due 2025.	536,280	-
TD Canada Trust equipment finance loan. Repayable by monthly instalments of \$777, plus interest at 5.25% per annum, due May 2024, secured by a specific vehicle with a net book value of \$38,391.	34,216	-
TD Canada Trust equipment finance loan. Repayable by monthly instalments of \$5,594, plus interest at 4.90% per annum, due March 2024, secured by specific equipment with a net book value of \$278,597.	243,402	-
TD Canada Trust equipment finance loan. Repayable by monthly instalments of \$767, plus interest at 5.33% per annum, due April 2024, secured by a specific vehicle with a net book value of \$14,272.	34,413	-
Waubetek Business Development Corporation. Repayable by monthly instalments of \$2,580, plus interest at 4.45% per annum, due October 2029, secured by corporate guarantee.	240,291	-
Subtotal carried forward to next page	\$ 25,960,449	\$ 25,698,235

WIIKWEMKOONG UNCEDED TERRITORY

Notes to Consolidated Financial Statements

March 31, 2020

18. Long-term debt, continued:

	2020	2019
Balance carried forward from prior page	\$ 25,960,449	\$ 25,698,235
Waubetek Business Development Corporation. Repayable by monthly instalments of \$472, plus interest at 4.45% per annum, due January 2030, secured by specific equipment with a net book value of \$164,046.	45,437	-
TD Canada Trust operating loan. Repayable by monthly instalments of \$4,074, plus interest at the bank's prime rate plus 0.50% per annum, due November 2029, secured by a general security agreement and assignment of insurance.	535,757	-
TD Canada Trust operating loan. By way of construction advances bearing interest at the bank's prime rate plus 0.50% per annum to be converted to fixed or floating rate term loans on the completion of the construction project.	1,507,536	-
Total	\$ 28,049,179	\$ 25,698,235

Principal payments required to retire outstanding long-term debt are as follows:

2021	\$ 2,606,773
2022	2,489,698
2023	2,347,165
2024	2,313,348
2025	2,247,493
2026 and subsequent years	16,044,702
	\$ 28,049,179

Certain mortgage loans are due and are to be renegotiated within the next year. The full balances of these loans have been shown as repayable in 2021. Management has no reason to believe that the loans will not be renewed or that the creditor will demand repayment of these loans during the next fiscal year.

WIKWEMKOONG UNCEDED TERRITORY

Notes to Consolidated Financial Statements

March 31, 2020

19. Non-financial assets:

Tangible capital assets and prepaid expenses 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.

20. Accumulated surplus:

	2020	2019
Equity in tangible capital assets	\$ 39,721,445	\$ 34,601,564
Restricted social housing reserves	3,574,565	3,813,356
First Nation enterprise initiatives	(5,428,199)	(5,468,365)
Internally restricted economic development loans	392,862	385,401
Restricted Ontario First Nations Limited Partnership distributions	16,054,555	14,897,225
Ontario First Nations Limited Partnership Distributions, loans	122,018	159,315
Restricted funds held in trust in Ottawa	145,770	137,393
Internally restricted deferred revenue	1,509,387	2,346,099
Unrestricted band operations accumulated surplus (deficit)	(4,124,142)	(6,657,480)
	\$ 51,968,261	\$ 44,214,508

21. Contingent liabilities:

(a) Government funding:

The First Nation has entered into accountable contribution arrangements with various government funding agencies. All such programs are subject to audit by the various governments, with repayable audit adjustments to the funding agency government. Audit adjustments, if any, are recorded in the accounts in the year in which the liability is determined.

WIKWEMKOONG UNCEDED TERRITORY

Notes to Consolidated Financial Statements

March 31, 2020

21. Contingent liabilities, continued:

(b) Guarantees:

The First Nation is contingently liable for the following items:

	2020	2019
Loan guarantees to various financial institutions in favour of individual Band Members	\$ 1,397,714	\$ 1,732,379
Loan guarantee to Bank of Montreal in favour of Great Lakes Hospitality Group Limited Partnership (i)	538,996	538,996
Letter of credit to a major supplier of the UCCM Building Material Supply Company Ltd.	140,000	140,000
Guarantees to Bell Canada in favour of FirstTel Communications Corporation	40,000	40,000
	\$ 2,116,710	\$ 2,451,375

- (i) The First Nation, as a limited partner (note 12), has provided a guarantee to a maximum of \$538,996 in favour of a loan from the Bank of Montreal advanced to Great Lakes Hospitality Group Limited Partnership (GLHGLP). As at December 31, 2019, the balance outstanding on the loan is \$1,854,110 (2019 - \$2,004,443).

The guarantee continues to provide that each of the limited partners, on a joint and several basis, cover all and any shortfalls of the debt covenants of the borrower. The loan agreement requires GLHGLP to maintain compliance with certain financial covenants, including maintaining a debt service coverage ratio of 1.55:1 as well as a maximum loan to value ratio of 50%. As at December 31, 2019, GLHGLP was in breach of these covenants.

(c) Legal claims against the First Nation:

The First Nation is a defendant in a claim in the amount of approximately \$50,000 regarding a labour dispute matter. At the present time, neither the outcome nor the possible settlement, if any, can be determined, therefore, no provision regarding any payable with respect to these matters that has been recorded in the accompanying consolidated financial statements.

WIKWEMKOONG UNCEDED TERRITORY

Notes to Consolidated Financial Statements

March 31, 2020

21. Contingent liabilities, continued:

(c) Legal claims against the First Nation, continued:

In a prior year, the Wikwemikong Nursing Home was named as a defendant in two statements of claim arising from the same incident. The claims allege negligence and breach of duty. Damages claimed are in the amounts of \$2,800,000 and \$9,000,000, respectively. At the present time, neither the outcome nor the possible settlement, if any, can be determined. Therefore, no provision regarding any payable with respect to this matter has been recorded in the accompanying consolidated financial statements.

During the year, FirstTel, a wholly-owned subsidiary of the organization that is included in these consolidated statements, is defending a legal action brought by a former supplier alleging breach of contract and damages of \$500,000. At the present time, neither the outcome nor the possible settlement, if any, can be determined. Therefore, no provision regarding any payable with respect to this matter has been recorded in the accompanying consolidated financial statements.

(d) Legal claim in favour of the First Nation:

The First nation is a plaintiff in a claim in the amount of approximately \$15,000,000 regarding damages arising from oil and gas wells on the lands of the First Nation. At the present time, neither the outcome nor the possible settlement, if any, can be determined. Therefore, no provision regarding any receivable with respect to this matter that has been recorded in the accompanying consolidated financial statement.

WIKWEMKOONG UNCEDED TERRITORY
Notes to Consolidated Financial Statements

March 31, 2020

22. Tangible capital assets:

2020												
	Land	Buildings	Water & Electrical Systems	Roads	Vehicles	Furniture, Equipment and Other	Computer Software & Hardware	Infrastructure Projects	Assets under construction	CMHC Rental Buildings	Property Management Vehicles	Totals 2020
Cost												
Balance, beginning of year	\$ 859,811	\$ 32,090,757	\$ 13,360,540	\$ 22,603,532	\$ 5,536,898	\$ 4,578,492	\$ 1,215,934	\$ 647,891	\$ 1,182,435	\$ 36,221,782	\$ 117,909	\$ 118,415,981
Transfers	-	922,131	-	-	-	-	-	-	(922,131)	-	-	-
Additions	704	5,119,350	1,926,676	-	1,502,578	548,201	192,721	32,669	2,130,982	(159,813)	62,005	11,356,073
Disposals	-	-	-	-	(83,908)	-	-	-	-	-	-	(83,908)
Balance, end of year	860,515	38,132,238	15,287,216	22,603,532	6,955,568	5,126,693	1,408,655	680,560	2,391,286	36,061,969	179,914	129,688,146
Accumulated Amortization												
Balance, beginning of year	-	15,534,287	4,334,223	15,218,332	4,568,744	2,915,184	640,245	220,248	-	17,211,114	106,118	60,748,495
Disposals	-	-	-	-	(78,685)	-	-	-	-	-	-	(78,685)
Amortization expense	-	775,847	295,491	557,848	396,695	315,918	142,880	104,137	-	1,332,444	11,161	3,932,422
Balance, end of year	-	16,310,134	4,629,714	15,776,180	4,886,754	3,231,102	783,125	324,385	-	18,543,558	117,279	64,602,232
Net book value	\$ 860,515	\$ 21,822,104	\$ 10,657,502	\$ 6,827,352	\$ 2,068,814	\$ 1,895,591	\$ 625,530	\$ 356,175	\$ 2,391,286	\$ 17,518,411	\$ 62,635	\$ 65,085,914

2019												
	Land	Buildings	Water & Electrical Systems	Roads	Vehicles	Furniture, Equipment and Other	Computer Software & Hardware	Infrastructure Projects	Assets under construction	CMHC Rental Buildings	Property Management Vehicles	Totals 2019
Cost												
Balance, beginning of year	\$ 859,811	\$ 29,163,995	\$ 12,878,950	\$ 22,603,532	\$ 5,169,960	\$ 4,135,331	\$ 943,678	\$ 523,391	\$ 1,358,477	\$ 35,483,117	\$ 117,909	\$ 113,238,151
Transfers	-	437,615	-	-	-	-	-	-	(1,098,173)	660,558	-	-
Additions	-	2,489,147	481,590	-	366,938	443,161	272,256	124,500	922,131	78,107	-	5,177,830
Disposals	-	-	-	-	-	-	-	-	-	-	-	-
Balance, end of year	859,811	32,090,757	13,360,540	22,603,532	5,536,898	4,578,492	1,215,934	647,891	1,182,435	36,221,782	117,909	118,415,981
Accumulated Amortization												
Balance, beginning of year	-	14,728,078	4,073,418	14,746,642	4,251,242	2,741,781	617,136	166,836	-	15,919,470	106,118	57,350,721
Disposals	-	-	-	-	-	-	-	-	-	-	-	-
Amortization expense	-	806,209	260,805	471,690	317,502	173,403	23,109	53,412	-	1,291,644	-	3,397,774
Balance, end of year	-	15,534,287	4,334,223	15,218,332	4,568,744	2,915,184	640,245	220,248	-	17,211,114	106,118	60,748,495
Net book value	\$ 859,811	\$ 16,556,470	\$ 9,026,317	\$ 7,385,200	\$ 968,154	\$ 1,663,308	\$ 575,689	\$ 427,643	\$ 1,182,435	\$ 19,010,668	\$ 11,791	\$ 57,667,486

WIKWEMKOONG UNCEDED TERRITORY

Notes to Consolidated Financial Statements

March 31, 2020

23. Indigenous Services Canada:

Reconciliation Indigenous Services Canada (ISC) funding confirmation:

	2020	2019
Revenue reported per consolidated financial statements:	\$ 31,860,950	\$ 26,336,808
Revenue per ISC funding confirmation/agreement with Wiikwemkoong Unceded Territory	\$ 31,860,950	\$ 26,286,808
Add additional agreements, as follows:		
Wikwemikong Development Commission:		
- Economic development capacity funding	-	50,000
	\$ 31,860,950	\$ 26,336,808

24. Expenditures by object:

As required by the Canadian public sector accounting standards, these consolidated financial statements report on expenditures by functions. The First Nation's expenditures by object are as follows:

	2020	2019
Salaries, wages, and benefits	\$ 34,765,603	\$ 31,764,036
Amortization	3,932,422	3,397,774
Interest on long-term debt	497,682	390,350
Other	38,269,647	35,891,514
	\$ 77,465,354	\$ 71,443,674

25. Employee benefits plans:

Certain employees of the First Nation are members of defined contribution pension plans and/or multi-employer defined benefit pension plans. Contributions by the First Nation to the plans during the year on behalf of the employees in the amount of \$1,352,789 (2019 – \$1,209,989) were expensed when due.

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26. Budget information:

The First Nation does not prepare a consolidated budget, does not prepare budgets for all programs, and certain program budgets have not been prepared in a format consistent with the accompanying consolidated financial statements; accordingly, budget information has not been presented in these consolidated financial statements as it would not represent meaningful financial information.

27. Financial instruments:

Transactions in financial instruments may result in an organization assuming or transferring risks to another party. The First Nation is exposed to the following risks in respect of certain financial instruments and transactions it is a party to:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The First Nation's main credit risk relate to its cash, restricted cash, resident funds held in trust (Nursing Home residents), short-term investments, accounts receivable, due from Indigenous Services Canada, note receivable, economic development loans receivable, mortgages receivable, and investment in and advances to Your Dollar Store With More.

Credit risk associated with cash, restricted cash, resident funds held in trust (Nursing Home residents), and short-term investments is minimized by ensuring these financial assets are placed with large reputable financial institutions with high credit ratings.

The First Nation is exposed to credit risk through its accounts receivable and due from Indigenous Services Canada in a total amount of \$5,729,256 (2019 - \$5,840,912), of which the majority is comprised of amount due from governments, and government funded organizations, but also includes amounts due from First Nation members and other receivables. The First Nation measures its exposure to credit risk to accounts receivable based on how long the accounts have been outstanding and manages this risk through management's ongoing analysis and monitoring of the accounts. An allowance for bad debts is recorded when applicable.

Refer to note 2(f) "Impairment" regarding the First Nation's accounting policies for assessing impairment of financial instruments measured at other than fair value, which includes economic development loans receivable, mortgages receivable, and investment in and advances to Your Dollar Store With More.

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27. Financial instruments, continued:

Liquidity risk

Liquidity risk is the risk that the First Nation cannot repay its obligations when they become due to its creditors. The First Nation is exposed to this risk relating to its accounts payable and accrued liabilities of \$7,752,186 (2019 - \$7,686,375), its promissory note payable to Indigenous Services Canada, payable to Ministry of Health and Long-Term Care and long-term debt.

The First Nation reduces its exposure to liquidity risk through its ongoing program budgeting and expenditure monitoring processes, documenting when authorized payments become due, and maintaining adequate cash balances and lines of credit to repay creditors as the liabilities become due.

Interest rate risk

The First Nation is exposed to interest rate risk in respect of interest paid on its short-term investments which fluctuate from time to time due to a variety of financial market factors.

The First Nation is exposed to interest rate risk in respect of its operating lines of credit and certain long-term debts, the interest rates of which are variable based on bank prime rates, fluctuate from time to time due to a variety of financial market factors, and would result in changes in payments on account of interest.

The First Nation is also exposed to interest rate risk in respect of certain long-term debt credit facilities which will mature and be renewed in future periods at interest rates that will be determined in future periods. Changes in interest rates would result in changes in payments on account of interest.

Other risks

The First Nation is exposed to the risk of not realizing the value of its investments in Wily Property Management Company Ltd., and Great Lakes Hospitality Group Limited Partnership. Refer to note 2(f) "Impairment" regarding the First Nation's accounting policies for assessing impairment of financial instruments measured at other than fair value, which includes this investment. The total impairment recorded against the investment of the current year and prior years is \$1,205,358.

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28. Economic dependence:

The First Nation receives a major portion of its revenues pursuant to funding agreements with several agencies, including the Indigenous Services Canada, Health Canada, Ministry of Community and Social Services and Human Resources Development Canada.

The Wikwemikong Nursing Home has contribution arrangements with the Ontario Ministry of Health and Long-term Care to provide funds to administer operations and provide services. The Wikwemikong Nursing Home is obligated to repay to the Ontario Ministry of Health and Long-Term Care contribution funding received in excess of eligible expenditures incurred. The repayment of these amounts could impede the nursing home's ability to continue operations.

As these contribution agreements provide the First Nation's major source of revenue, its ability to continue viable operations is dependent upon maintaining these funding arrangements.

29. COVID-19:

The COVID-19 global outbreak was declared a pandemic by the World Health Organization in March 2020. The negative impact of COVID-19 in Canada and on the global economy has been significant. The global pandemic has disrupted economic activities and supply chains resulting in governments worldwide, and in Canada, enacting emergency measures to combat the spread of the virus and protect the economy.

These financial statements have been prepared based upon conditions existing at March 31, 2020 and considering those events occurring subsequent to that date, that provide evidence of conditions that existed at that date.

Although the disruption from the pandemic is expected to be temporary, given the dynamic nature of these circumstances, the duration and severity of the disruption and related financial impact cannot be reasonably estimated at this time. Government interventions and public health authority recommendations have resulted in changes to how and what the First Nation delivers services to its members. The Chief and Council and management of the First Nation will continue to monitor the situation and adjust as they see necessary to maintain the health and safety of their employees and members.

At this time, the full potential impact of COVID-19 on the First Nation is not known.