
Consolidated financial statements of
Kebaowek First Nation

March 31, 2019

Management's Statement of Responsibility	1
Independent Auditors' Report	2 - 4
Consolidated Statement of Operations	5 - 6
Consolidated Statement of Cumulative Operating Surplus	7
Consolidated Statement of Net Investment in Capital Assets	8
Consolidated Financial Position	9
Consolidated Statement of Changes in Net Financial Assets	10
Consolidated Statement of Cash Flows	11
Notes to the consolidated financial statements	12 - 25

Management's Statement of Responsibility

The consolidated financial statements of Kebaowek First Nation as of March 31, 2019 are the responsibility of management and have been approved by the Chief and Council.

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

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

The Chief and Council are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and is ultimately responsible for reviewing and approving the consolidated financial statements.

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

The external auditors, Deloitte LLP, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of Kebaowek First Nation and meet when required.

On behalf of Kebaowek First Nation :

Signature and title
for Kebaowek First Nation

July 29, 2019



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Independent Auditor's Report

To the Chief and Council
Kebaowek First Nation

Opinion

We have audited the accompanying consolidated financial statements of Kebaowek First Nation (the "Organization"), which comprise the consolidated statements of financial position as at March 31, 2019 and the consolidated statements of operations, cumulative operation surplus, net investment in capital assets, changes 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 (collectively referred to as the "financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organization as at March 31, 2019, and the consolidated statements of operations, cumulation operation surplus, net investment in capital assets, changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards ("PSAS").

Basis for Opinion

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

Other information

We draw attention to the fact that the Organization includes, in its consolidated financial statements, certain financial information that is not required by the PSAS. This information, prepared in accordance with the requirements of Indigenous Services Canada, addresses the status of the surplus (deficit) of funding for the year on page 6. The Organization also chose to present a statement of net investment in Capital assets in page 8. Our opinion is not modified in respect of the matters.

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

Management is responsible of the consolidated financial statements in accordance with the Financial Reporting Provisions in the Indigenous Services Canada Financial Reporting Guide, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the 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 GAAS 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 GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

1

Deloitte LLP

July 29, 2019

¹ CPA auditor, CA, public accountancy permit No.A112314

Kebaowek First Nation
Consolidated Statement of Operations
Year ended March 31, 2019

	2019 \$	2018 \$
REVENUES		
Sales	2,669,584	2,193,248
ISC - Unexpended Funding	311,039	(330,430)
ISC - Flexible Contribution	122,275	-
ISC - Fixed Contribution	778,677	440,293
ISC - Set Contribution	-	1,184,449
ISC - Block Contribution	3,164,024	2,861,590
ISC - Health Branch	2,136,425	1,863,647
Administration fees	729,663	517,347
Canada Mortgage and Housing Corporation (CMHC)	166,539	193,434
Environment Canada	10,000	-
First Nations Education Council (FNEC)	151,542	173,732
First Nations of Quebec and Labrador Health and Social Services (FNQLHSS)	60,189	178,035
Forestry contracts	1,736,725	1,536,673
Government of Quebec	92,090	51,484
First Nations Human Resources Development Commission of Quebec (FNHRDCQ)	368,914	328,855
Interests	25,349	5,896
Land Management	100,000	108,995
Ministère des Forêts, de la Faune et des Parcs	166,000	106,000
Recoverable deficit (refundable surplus) to ISC	11,648	-
Refundable surplus to ISC - Health Branch	(30,435)	-
Provincial and Federal police	480,000	322,636
Recreation revenues	24,014	39,089
Rent revenues	335,390	255,344
Secrétariat aux Affaires Autochtones	688,490	225,000
Special activities revenues	122,374	141,743
Sale of housing units	-	180,000
Other revenues	467,467	775,585
Withdrawal from replacement reserve	52,617	-
Deferred revenue from the previous year	1,870,234	5,490,049
Deferred revenue to following year	(1,431,677)	(1,870,234)
	15,379,157	16,972,460

Kebaowek First Nation
Consolidated Statement of Operations
Year ended March 31, 2019

	2019 \$	2018 \$
EXPENSES		
Band Government	15,836	20,513
Administration	743,079	728,762
Human Resources Development	312,007	212,523
Education	1,219,294	1,070,111
Health	2,216,233	2,061,092
Public Works	1,054,851	1,114,565
Police Security	455,716	354,470
Fire Protection	62,990	64,463
Social Assistance	333,543	310,530
Housing	704,418	1,270,063
Economic Development	4,705,995	3,696,243
Natural Resources and Others	841,826	804,665
	12,665,788	11,708,000
SURPLUS FOR THE YEAR	2,713,369	5,264,460

The accompanying notes are an integral part of the consolidated financial statements.

CONCILIATION TO ISC FINANCIAL REPORTING REQUIREMENTS

Surplus for the year	2,713,369	5,264,460
Proceeds from long-term debt	903,250	574,400
Reimbursement of long-term debt	(339,580)	(191,709)
Acquisition of capital assets	(2,317,122)	(6,307,411)
Surplus (deficit) for the year under ISC Financial Reporting Requirements (1)	959,917	(660,260)

(1) The operating surplus before amortization is \$1,809,571 (surplus of \$117,592 in 2018)

Kebaowek First Nation**Consolidated Statement of Cumulative Operating Surplus**

Year ended March 31, 2019

	2019	2018
	\$	\$
BALANCE AT BEGINNING OF YEAR	3,817,675	3,510,453
SURPLUS FOR THE YEAR	2,713,369	5,264,460
TRANSFER TO NET INVESTMENT IN CAPITAL ASSETS		
ACQUISITION OF CAPITAL ASSETS	(2,317,122)	(6,307,411)
AMORTIZATION/LOSS/PROCEEDS FROM DISPOSAL OF CAPITAL ASSETS AND TRANSFER TO TENANTS	849,654	873,766
PROCEEDS FROM LONG-TERM DEBT	903,250	574,400
REIMBURSEMENT OF LONG-TERM DEBT	(339,580)	(191,709)
ALLOCATION FROM THE ECONOMIC INVESTMENT DEFICIT	100,435	225,251
ALLOCATION TO PUBLIC WORKS EQUIPMENT RESERVE	-	(150,000)
ALLOCATION TO BAND RENTAL, SINGLE APPARTMENT BUILDING AND MULTIPLEX RESERVES	(19,500)	(10,500)
ADJUSTMENT OF RESERVED FUNDS - ARTICLE 95	(973)	15,986
ADJUSTMENT - OTHER	(5,494)	12,979
BALANCE AT END OF YEAR	5,701,714	3,817,675

The accompanying notes are an integral part of the consolidated financial statements.

Kebaowek First Nation**Consolidated Statement of Net Investment in Capital Assets**

Year ended March 31, 2019

	2019	2018
	\$	\$
NET INVESTMENT IN CAPITAL ASSETS AT BEGINNING OF YEAR	23,570,655	18,231,889
VARIATION OF NET INVESTMENT IN CAPITAL ASSETS		
Plus:		
Acquisition of capital assets	2,317,122	6,307,411
Reimbursement of long-term debt	339,580	191,709
Reimbursement of RRAP	47,152	37,812
	2,703,854	6,536,932
Less:		
Proceeds from long-term debt	(903,250)	(574,400)
Adjustment from proceeds from long-term debt	-	250,000
Amortization of capital assets	(849,654)	(777,852)
Loss from disposal of capital assets	-	(26,537)
Transfer to tenants	-	(69,377)
	(1,752,904)	(1,198,166)
NET INVESTMENT IN CAPITAL ASSETS AT END OF YEAR	24,521,605	23,570,655

The accompanying notes are an integral part of the consolidated financial statements.

Kebaowek First Nation
Consolidated Financial Position
as at March 31, 2019

	2019	2018
Notes	\$	\$
FINANCIAL ASSETS		
Cash	3,654,549	1,510,619
Accounts receivable	4,345,247	6,367,821
Long-term investments	63,214	63,214
Restricted cash and deposits	400,417	397,997
	8,463,427	8,339,651
LIABILITIES		
Accounts payable and accrued liabilities	1,498,936	2,394,114
Deferred revenue	1,431,677	1,870,234
Income taxes payable	-	2,646
ISC - Unexpended Funding	687,279	998,318
Deferred governmental assistance	359,074	377,973
Long-term debt	3,097,925	2,581,407
	7,074,891	8,224,692
NET FINANCIAL ASSETS	1,388,536	114,959
NON-FINANCIAL ASSETS		
Capital assets	27,605,369	26,137,901
Inventories	109,124	105,822
Prepaid expenses	51,160	59,123
	27,765,653	26,302,846
ACCUMULATED SURPLUS	29,154,189	26,417,805

The accompanying notes are an integral part of the consolidated financial statements.

Contingencies and Guarantees (note 15)

Approved by the First Nation's Council

_____, Council's Member

_____, Council's Member

Kebaowek First Nation
Consolidated Statement of Changes in Net Financial Assets
Year ended March 31, 2019

	2019	2018
	\$	\$
SURPLUS FOR THE YEAR	2,713,369	5,264,460
CHANGE IN CAPITAL ASSETS		
Acquisition of capital assets	(2,317,122)	(6,307,411)
Amortization/loss/transfer to tenants and proceeds from disposal of capital assets	849,654	873,766
	(1,467,468)	(5,433,645)
CHANGES IN OTHER NON-FINANCIAL ASSETS		
Changes in the inventories	(3,302)	(9,661)
Changes in the prepaid expenses	7,963	(7,581)
	4,661	(17,242)
CHANGES IN THE NON-OPERATIONAL SURPLUSES AND RESERVES		
Adjustment to reserved funds - Article 95 and other	(6,467)	28,965
Variation of Replacement reserves and Operating reserve fund	(17,683)	21,004
Increase of In-trust surplus	13	12
Variation of RRAP loans	47,152	37,812
Adjustment from proceeds from long-term debt	-	250,000
	23,015	337,793
CHANGE IN NET FINANCIAL ASSETS (NET DEBT)	1,273,577	151,366
NET FINANCIAL ASSETS (NET DEBT) AT THE BEGINNING OF YEAR	114,959	(36,407)
NET FINANCIAL ASSETS AT THE END OF YEAR	1,388,536	114,959

The accompanying notes are an integral part of the consolidated financial statements.

Kebaowek First Nation
Consolidated Statement of Cash Flows
Year ended March 31, 2019

Note	2019 \$	2018 \$
Operating activities		
Surplus for the year	2,713,369	5,264,460
Items not affecting cash:		
Amortization of capital assets	849,654	777,852
Amortization of deferred governmental assistance	(18,899)	(19,893)
Adjustment from proceeds from long-term debt	-	250,000
Loss from disposal of capital assets	-	26,537
Transfer to tenants	-	69,377
	3,544,124	6,368,333
Changes in non-cash operating working capital items	379,815	(1,496,404)
	3,923,939	4,871,929
Investing activities		
Acquisition of capital assets	(1,733,872)	(6,307,411)
Increase of the restricted cash and deposits	(2,420)	(79,123)
	(1,736,292)	(6,386,534)
Financing activities		
Variation of RRAP loans	47,152	37,812
Adjustment to reserved funds - Article 95 and other	(6,467)	28,965
Increase of In-Trust surplus	13	12
Variation of Replacement reserves and Operating reserve fund	(17,683)	21,004
Proceeds from long-term debt	320,000	574,400
Reimbursement of long-term debt and RRAP loans	(386,732)	(479,521)
	(43,717)	182,672
Net increase (decrease) of cash and cash equivalents	2,143,930	(1,331,933)
Cash and cash equivalents, beginning of year	1,510,619	2,842,552
Cash and cash equivalents, end of year	3,654,549	1,510,619

The accompanying notes are an integral part of the consolidated financial statements.

(See additional information presented in Note 13)

Cash and cash equivalents consist of cash.

1. Description of the organization

The First Nation is an unincorporated legal body as defined in the Indian Act. A band council is considered a form of local government consisting of a Chief and two or more councillors who are chosen by election or band custom to carry out the functions of government for the First Nation.

2. Summary of significant accounting policies

The consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards applicable to local governments issued by the CPA Canada Public Sector Accounting Handbook.

The principles of fund accounting have been used in the preparation of these consolidated financial statements in accordance with Canadian public sector accounting standards. Accounts are classified into funds in accordance with specified requirements, activities and objectives. The accrual method is followed for the recognition of revenues and expenses.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis. Net realizable value is the estimated selling price less the estimated costs necessary to make the sale.

Capital assets

The capital assets are composed of all capital assets recorded at cost. The methods, the term and amortization rates are as follows:

Community buildings	Diminishing balance	2.5 %
Private housing	Straight-line	25 years
Water and sanitation systems	Diminishing balance	2.5 %
Roadway system	Diminishing balance	2.5 %
Motorized equipment	Diminishing balance	10 to 20 %
Office and other equipment	Diminishing balance	20 %
Assets under capital lease :		
Motorized equipment	Diminishing balance	10 %
Building Migizy Odenaw inc.	Diminishing balance	5 %
Equipment Migizy Odenaw inc.	Diminishing balance	10 %
Restaurant equipment Migizy Odenaw inc.	Diminishing balance	20 %

Revenues recognition

Revenues are recorded in the period specified in funding agreements entered into with government agencies and other organizations. Assistance received in advance of making the related expenses is deferred. Revenues are recognized when persuasive evidence of an arrangement exists, price is fixed or determinable and collection is reasonably assured.

2. Summary of significant accounting policies (continued)

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Key components of the consolidated financial statements requiring management to make estimates include the provision for doubtful accounts in respect of receivables and long-term investments, the cost and net realizable value of inventories, the useful lives of long-lived assets, the potential impairment of goodwill and indefinite-life intangible assets, the income taxes payable, the deferred revenues and liabilities under legal contingencies. Actual results could differ from these estimates.

Principle of consolidation

The consolidated financial statements include the accounts of the First Nation and the organizations under its control. These organizations include Migizy Odenaw inc. and Kebaowek Land Management inc. Transactions concluded between these organizations and reciprocal balances are eliminated. The reciprocal balances have not been eliminated in the segment disclosure (Note 19).

Investments in controlled entities

Kebaowek inc. and Migizy Odenaw inc. are wholly-owned by Kebaowek First Nation. As at March 31, 2019, the financial information available for the operations of Migizy Odenaw inc. were taken from their respective year-end, September 30, 2018 and March 31, 2019 for Kebaowek Land Management inc. These investments in controlled entities are recorded on the modified equity basis of accounting unless the controlled entities become entirely dependant from a financing point of view from Kebaowek First Nation. When a controlled entity becomes dependant from a financing point of view, it is consolidated into the financial statements of the First Nation.

Long-term investments

Long-term investments are recorded at cost.

Revenues and expenses related to the acquisition of capital assets

Revenues and expenses related to the acquisition of capital assets are recorded in the Net investment in capital assets when the related capital expenses are recorded, provided that the First Nation meets the eligibility criteria.

Pension plan

The cost of the defined pension plan is equal to the pension plan expense.

The pension plan is a multiemployer defined benefit pension plan that is accounted for as a defined contribution plan.

Deferred governmental assistance

The deferred governmental assistance, recorded at cost, is amortized at a 5 % rate, using diminishing balance method.

2. Summary of significant accounting policies (continued)

Loans

Loans with significant concessionary terms are presented at face value discounted by the amount of the grant portion.

Proceeds from the disposal of capital assets and the related revenues

Proceeds from the disposal of capital assets and from assets held for sale are recorded in the Net Investment in Capital Assets.

3. Accounts receivable

	2019	2018
	\$	\$
ISC receivable	1,471,205	4,240,778
ISC - Health Branch receivable	359,312	24,176
FNHRDCQ receivable	51,083	2,305
FNEC receivable	21,020	45,907
FNQLHSS receivable	9,141	66,110
CMHC receivable	630,738	361,760
GST, QST and tobacco tax receivable	82,035	50,527
Forestry contracts receivable	63,383	43,084
Government of Quebec receivable	72,871	48,862
Land management receivable	67,750	26,500
Other administration accounts receivable	56,893	51,797
Residents personal mortgage receivable	211,904	211,904
Accounts receivable (housing)	312,966	263,067
Water and garbage receivable	32,560	27,877
Other accounts receivable	929,743	930,865
Expenses to be reimbursed (housing)	87,725	89,319
CMHC (RRAP loan) receivable	6,758	6,758
	4,467,087	6,491,596
Allowance for doubtful accounts	(121,840)	(123,775)
	4,345,247	6,367,821

4. Long-term investments

	2019	2018
	\$	\$
Loan to receive from an individual, no interests nor reimbursement terms	10,000	10,000
Loan to a promoter, no interests nor reimbursement terms	24,714	24,714
Loan to a promoter, no interests nor reimbursement terms	8,500	8,500
Loan to a promoter, no interests nor reimbursement terms	10,000	10,000
Loan to a promoter, no interests nor reimbursement terms	10,000	10,000
	63,214	63,214

Kebaowek First Nation
Notes to the consolidated financial statements
Year ended March 31, 2019

5. Restricted cash and deposits

	2019	2018
	\$	\$
In-trust surplus	577	564
Replacement reserve (Note 14)	399,840	397,433
	400,417	397,997

6. Capital assets

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
	\$	\$	\$	\$
Assets under construction	10,681,981	-	10,681,981	9,969,008
Community buildings	2,979,202	1,237,918	1,741,284	1,785,932
Private housing	10,409,804	5,135,653	5,274,151	5,189,462
Water and sanitation systems	7,444,804	1,382,287	6,062,517	6,217,967
Roadway system	1,377,740	467,447	910,293	933,634
Motorized equipment	2,857,661	1,260,722	1,596,939	1,270,512
Building Migizy Odenaw inc.	662,331	335,079	327,252	344,476
Equipment Migizy Odenaw inc.	464,849	331,815	133,034	147,816
Restaurant equipment Migizy Odenaw inc.	60,135	41,115	19,020	23,077
Office and other equipment	1,242,521	937,710	304,811	256,017
Assets under capital lease : Motorized equipment	583,250	29,163	554,087	-
	38,764,278	11,158,909	27,605,369	26,137,901

7. Deferred revenue

	2019	2018
	\$	\$
Human Resources Development Consolidated Revenues Fund (Annex 13)	-	43,772
Human Resources Development Youth Work Experience Initiative (Annex 16)	-	6,329
Primary Health Care (Annex 32)	39,943	33,179
Home Care Nursing (Annex 34)	50,747	41,873
Community Health Representative (Annex 36)	22,458	-
Community Food Security (Annex 37)	-	4,497
Brighter Futures (Annex 38)	40,342	12,012
Jordan's Principle (Annex 39)	115,754	14,398
Mental Wellness Team (Annex 40)	100,798	48,131
Aboriginal Health Transition Fund (Annex 41)	10,000	-
Mental Health (Annex 42)	21,863	-
N.N.A.D.A.P. Prevention (Annex 43)	13,135	8,758
Prenatal Nutrition (Annex 45)	7,358	-
Aids / HIV (Annex 49)	10,490	2,658
Tobacco Prevention (Annex 50)	6,791	-
Management Support (Annex 56)	120,597	-
Fetal Alcohol Syndrom Disease (Annex 57)	4,816	-
Elders Support (Annex 62)	-	13,701
Traditional Healers (Annex 67)	21,952	12,253
Bullying (Annex 68)	13,500	-

7. Deferred revenue (continued)

	2019	2018
	\$	\$
Waste Management (Annex 87)	-	30,294
Infrastructure - Water System (Annex 90)	123,703	204,748
Wastewater Treatment System (AQB03) (Annex 93)	347,005	1,305,100
CMHC construction - 16 229 593 013 (Annex 121)	-	32,630
RRAP 2017-2018 - 133 Migizy ST (Annex 122)	-	5,195
CMHC Construction 16 229 593 015 (Annex 127)	66,195	-
CMCH Construction 16 229 593 014 (Annex 128)	32,758	-
Matamec (Annex 133)	33,675	33,908
Kebaowek Land Management inc. (Annex 137)	207,958	-
Comprehensive Planning (Annex 139)	9,849	11,000
Water First (Annex 160)	-	5,798
Forestry Buildings Renovations (Annex 163)	9,990	-
	1,431,677	1,870,234

8. ISC - Unexpended Funding

	2019	2018
	\$	\$
Band Surplus (Annex 10)	143,643	998,318
Addition to Reserve (Annex 8)	20,000	-
First Line Services (Annex 78)	302,272	-
Extension Amik Street (Annex 86)	3,575	-
O & M Eco-Centre (Annex 91)	51,910	-
Community Development Plan (Annex 134)	141,600	-
Waterfront Master Plan (Annex 143)	13,200	-
Temiskaming Dam (Annex 165)	11,079	-
	687,279	998,318

9. Long-term debt

	2019	2018
	\$	\$
Loan, 3,19 %, secured by ISC, payable by monthly instalments of \$156, capital and interests, maturing in 2019	311	2,139
Loan, 3,53 %, secured by ISC, payable by monthly instalments of \$395, capital and interests, maturing in 2019	22,675	26,535
Loan, 3,53 %, secured by ISC, payable by monthly instalments of \$320, capital and interests, maturing in 2019	18,391	21,522
Loan, 2,18 %, secured by ISC, payable by weekly instalments of \$139, capital and interests, maturing in 2021	17,870	24,786
Loan, 3,38 %, secured by ISC, payable by weekly instalments of \$118, capital and interests, maturing in 2019	54,612	58,834

9. Long-term debt (continued)

	2019	2018
	\$	\$
Loan, 1,84 %, secured by ISC, payable by monthly instalments of \$1,258, capital and interests, maturing in 2032	179,370	191,057
Loan, 2,49 % secured by ISC, payable by monthly instalments of \$568 , capital and interests, maturing in 2033	81,376	86,178
Loan, 1,48 %, secured by ISC, payable by monthly instalments of \$1,589, capital and interests, maturing in 2033	238,491	253,920
Loan, 1,48 %, secured by ISC, payable by monthly instalments of \$875, capital and interests, maturing in 2037	164,627	172,639
Loan, 1,19 %, secured by ISC, payable by monthly instalments of \$573, capital and interests, maturing in 2035	103,871	109,475
Loan, 6,24 %, secured by a motorized equipment with a net book value of \$17,831, payable by monthly instalments of \$583, capital and interest, maturing in 2020	8,939	15,171
Loan, 1,30 %, secured by ISC, payable by monthly instalments of \$1,222, capital and interests, maturing in 2027	112,478	125,591
Loan, 2,70 % secured by ISC, payable by monthly instalments of \$665, capital and interests, maturing in 2031	83,233	89,174
Loan, 3,22 %, secured by ISC, payable by monthly instalments of \$1,134, capital and interest, maturing in 2021	217,074	223,594
Loan, 3,22 %, secured by ISC, payable by monthly instalments of \$428, capital and interest, maturing in 2021	81,875	84,334
Loan, 1,30 %, secured by ISC, payable by monthly instalments of \$560, capital and interest, maturing in 2035	101,040	106,407
Loan, 1,82 %, secured by ISC, payable by monthly instalments of \$784, capital and interests, maturing in 2019	1,563	10,847
Loan, 2,41 %, secured by ISC, payable by monthly instalments of \$1,205, capital and interests, maturing in 2043	264,237	271,600
Loan, 1,82 %, secured by ISC, payable by monthly instalments of \$246, capital and interests, maturing in 2029	27,571	29,997
Loan, 1,82%, secured by ISC, payable by monthly instalments of \$546, capital and interests, maturing in 2026	44,488	50,179
Loans from Canada Mortgage and Housing Corporation (RRAP) *	125,036	152,188

Kebaowek First Nation
Notes to the consolidated financial statements
Year ended March 31, 2019

9. Long-term debt (continued)

	2019	2018
	\$	\$
Loan, 2,60 %, secured by ISC, payable by monthly instalments of \$168, capital and interests, maturing in 2022	21,983	23,402
Loan, 3,01 %	-	5,129
Loan, 4,89 %, secured by a motorized equipment with a net book value of \$548,756, payable by monthly instalments of \$5,511, capital and interest, maturing in 2021	120,754	179,409
Loan 1,87 %, secured by ISC, payable by monthly instalments of \$1,115, capital and interests, starting in May 2019, maturing in 2045	267,300	267,300
Loan in negotiation, terms to be negotiated in the next financial year	125,000	-
Loan in negotiation, terms to be negotiated in the next financial year	175,000	-
Obligation under capital lease, 7,45 % , secured by a motorized equipment with a net book value of \$402,088, payable in monthly instalments of \$11,470, capital and interests, maturing in 2022	322,547	-
Obligation under capital lease, 8,92 % , secured by a motorized equipment with a net book value of \$152,000, payable with a first instalment of \$6,914 followed by monthly instalments of \$3,881, capital and interests, maturing in 2022	116,213	-
	3,097,925	2,581,407
Current portion	(404,509)	(245,798)
	2,693,416	2,335,609

Principal payments on long-term debt and future minimum lease payments under the capital leases required in each of the next five years are as follows:

	Long-term debt \$	Lease \$
2020	404,509	187,248
2021	391,786	184,215
2022	267,286	115,220
2023	126,473	-
2024	129,002	-

*Under this program, an agreement has been reached by the Kebaowek First Nation and the Canada Mortgage and Housing Corporation (CMHC) concerning the cumulative contributions for the major repairs of houses located on the First Nation's territory (Residential Rehabilitation Assistance Program On-Reserve (RRAP)).

Should all the conditions of the agreement be met by the First Nation, the amortization of these loans will be made by remission instalments based on a straight-line method of amortization of three to five years. Should the conditions not be respected by the First Nation, the outstanding balance of these loans will be repaid by the First Nation as an usual mortgage (subject of interests charges).

10. Reserves for acquisition of capital assets

The First Nation has reserved funds for the future acquisition of capital assets in accordance with funding agreements. Here is the detail of these reserves as at March 31, 2019 :

	2019	2018
	\$	\$
School bus	44,082	44,082
Public Works equipment	200,000	200,000
Single apartment building	59,551	53,551
Band rental	22,625	18,125
Police department	210,322	210,322
Fire truck	205,000	205,000
	741,580	731,080

11. Cumulative Operating and Funds Balances

The cumulative operating and funds balances as at March 31, 2019 do not take into consideration possible modifications following the review and analysis of the present consolidated financial statements by ISC, the CMHC, FNEC and ISC - Health Branch. Any adjustment resulting of these analysis will be recorded in the current year as an adjustment of funds balances or in the results as indicated by ISC, CMHC, FNEC or ISC - Health Branch.

12. Accumulated surplus

The accumulated surplus of Kebaowek First Nation is divided among several surpluses and reserves, as detailed below:

	2019	2018
	\$	\$
Reserve for acquisition of capital assets	741,580	731,080
Economic investment deficit	(2,250,636)	(2,150,201)
In-trust surplus	577	564
Operating reserve fund	109,421	108,448
Replacement reserve fund - Article 95	258,928	277,584
Replacement reserve - Multiplex	71,000	62,000
Capital assets surplus	24,521,605	23,570,655
Cumulative operating surplus	5,701,714	3,817,675
	29,154,189	26,417,805

13. Additional information relating to the statement of cash flows

	2019	2018
	\$	\$
<i>Changes in non-cash operating working capital items</i>		
Accounts receivable	2,022,574	992,232
Inventories	(3,302)	(9,661)
Prepaid expenses	7,963	(7,581)
ISC - Unexpended Funding	(311,039)	330,430
Accounts payable and accrued liabilities	(895,178)	815,344
Deferred revenue	(438,557)	(3,619,815)
Income taxes payable	(2,646)	2,646
	379,815	(1,496,405)
<i>Interests paid</i>	72,245	53,908
<i>Non-cash transactions</i>		

During the year, in addition to the acquisitions of capital assets presented under investing activities, the First Nation also acquired Capital assets in the amount of \$583,250 in counterpart of obligations under capital lease presented in long-term debt on note 9 of the financial statements.

14. Replacement reserve

Under the terms of the agreement with CMHC, the replacement reserve account is to be credited annually. These funds along with accumulated interests 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 CMHC from time to time. The funds in the account may only be used as approved by CMHC. Withdrawals are credited to interests first and then capital.

15. Contingencies and guarantees

The long-term debt mainly bears interests at fixed rates. Consequently, the cash flows exposure is not significant. However, the fair value of loans having fixed rates of interests could fluctuate because of changes in market interests rates. The short-term loans represent a limited exposure to interests rate risk due to their short-term maturity.

16. Financial instruments

Interests rate risk

The long-term debt mainly bears interests at fixed rates. Consequently, the cash flows exposure is not significant. However, the fair value of loans having fixed rates of interests could fluctuate because of changes in market interests rates. The short-term loans represent a limited exposure to interests rate risk due to their short-term maturity.

Credit risk

The First Nation provides credit to its tenants in the normal course of its operations. It carries out, on a continuing basis, credit checks on its clients and maintains provisions for potential credit losses

16. Financial instruments (continued)

Credit facility (bank loan)

An authorized line of credit of \$300,000 and another line of credit of \$100,000, bearing both interests at prime rate (3,95 % as at March 31, 2019) plus 1,75 %, are available. The loans are repayable on demand and fluctuate regularly. The credit lines are renewable on an annual basis and guaranteed by a first ranking hypothec of \$750,000 on all borrower's present and future claims. No amount was used as at March 31, 2019.

An authorized credit card of \$105,000, bearing interests at 19,99 %, is also available. An amount of \$22,301 included under the accounts payable and accrued liabilities was used as at March 31, 2019.

Fair value of financial assets and liabilities

The fair value represents approximately the amounts of the financial instruments that would be exchanged between the consenting parties, according to the current market value of instruments which the risk, capital and duration are the same. Certain estimates and decisions were required to arrive at the fair value of financial instruments which was based upon actualization and other evaluation methods which depend largely on hypothesis of estimated cash flows and the actualization rate depending on different degrees of risk.

The fair value of cash, accounts receivable, restricted cash and deposits, long-term investments and accounts payable and accrued liabilities approximates their carrying values due to their short-term maturity.

As at March 31, 2019, the net book value of all financial instruments corresponded approximately to their fair value with the exception of the following item :

	Net book value	Fair value
	\$	\$
Long term debt	3,097,925	2,994,621

17. Pension plan

The First Nation supports a contributory defined benefit pension plan for substantially all of its employees (except for the police department which is described below). It is a multiemployer plan that is administered by the Native Benefits Plan. The pension for native employees is 8,5 % of the gross salary and the employer contributes 1,82 times the employee's contribution. For the non-native employees, it is 6,8 % of the gross salary and the employer contributes 1,82 times the employee's contribution.

For the police department, the rate is 9,5 % of the gross salary for the native employees and 7,2 % for the non-native employees. The employer contributes 2 times the employee's contribution.

The First Nation also offers a voluntary pension plan for employees not covered by ISC, ISC Health Branch and police activities. The contribution by the employees is 5 % and the First Nation contributes the same amount.

For the current fiscal year, the pension plan expenses amounted to \$211,560 (\$195,428 in 2018).

Kebaowek First Nation
Notes to the consolidated financial statements
Year ended March 31, 2019

18. Expenses by object

	2019	2018
	\$	\$
Cost of goods sold	2,380,000	2,029,087
Advertizing	3,518	2,938
Salaries and fringe benefits	3,401,963	3,151,003
Allocations	546,766	378,666
Administration fees	563,367	473,078
Bank charges	4,702	2,803
Councillors' honoraries	26,250	24,750
Contracts	1,237,231	1,115,944
Amortization of deferred governmental assistance	(18,899)	(19,893)
Amortization of capital assets	849,654	777,852
Doubtful accounts	3,442	4,721
Management expenses	147,449	87,439
Energy	145,576	134,646
Membership fees	12,148	10,649
Gas	88,500	42,277
Insurances	111,001	92,330
Interests and bank charges	16,411	18,366
Interests and long-term debt	72,245	53,908
Licences and permits	95,400	28,981
Loss from disposal of capital assets	-	26,537
Maintenance expenses	133,621	153,762
Material and supplies	377,232	428,276
Other	38,030	26,264
Payments to members for housing units	-	180,000
Pension plan	211,049	195,428
Professional fees	575,558	661,258
Recreation activities expenses	5,736	7,415
Registration fees	39,902	39,880
Rental	214,691	96,351
Room and board	250,888	237,770
Telephone	65,598	69,943
Training expenses (reimbursements)	32,887	31,752
Transfer to Migizy Odenaw Childcare Center	28,978	130,545
Transfer to tenants	-	69,377
Transfer to the replacement reserve	31,470	36,990
Transportation expenses	126,823	133,360
Travel	155,586	155,032
Tuition fees	507,244	409,273
Water, garbage and sewer expenses	10,044	9,464
Workshops expenses	176,373	197,132
Income taxes (recovery)	(2,646)	2,646
	12,665,788	11,708,000

19. Segment disclosure

	Band Government		Administration	
	2019	2018	2019	2018
Revenues :				
Federal government transfers	9,347	7,363	1,286,217	95,104
Provincial government transfers	-	-	-	-
Other revenues	5,744	1,732	725,277	529,450
Total revenues	15,091	9,095	2,011,494	624,554
Expenses :				
Salaries and fringe benefits	9,188	14,722	369,623	355,707
Amortization	-	-	33,056	34,406
Other expenses	6,648	5,822	344,076	341,242
Total expenses	15,836	20,544	746,755	731,355
Annual surplus (deficit)	(745)	(11,449)	1,264,739	(106,801)

	Human Resources Development		Education	
	2019	2018	2019	2018
Revenues :				
Federal government transfers	368,914	328,855	1,426,397	1,501,174
Provincial government transfers	-	-	-	-
Other revenues	(35,610)	(103,485)	541	(1,610)
Total revenues	333,304	225,370	1,426,938	1,499,564
Expenses :				
Salaries and fringe benefits	77,082	22,970	205,413	108,597
Amortization	-	-	10,160	8,342
Other expenses	256,222	202,400	1,010,803	953,564
Total expenses	333,304	225,370	1,226,376	1,070,503
Annual surplus (deficit)	-	-	200,562	429,061

	Health		Public Works	
	2019	2018	2019	2018
Revenues :				
Federal government transfers	2,489,908	2,273,069	633,430	1,561,544
Provincial government transfers	70,702	51,484	-	-
Other revenues	(358,855)	(86,440)	1,218,984	4,453,198
Total revenues	2,201,755	2,238,113	1,852,414	6,014,742
Expenses :				
Salaries and fringe benefits	1,036,298	1,005,776	345,902	337,956
Amortization	44,405	41,559	290,459	263,867
Other expenses	1,151,928	1,028,521	428,171	520,023
Total expenses	2,232,631	2,075,856	1,064,532	1,121,846
Annual surplus (deficit)	(30,876)	162,257	787,882	4,892,896

19. Segment disclosure (continued)

	Police Security		Fire Protection	
	2019	2018	2019	2018
Revenues :				
Federal government transfers	480,000	322,636	79,112	78,049
Other revenues	130	-	19,731	2,188
Total revenues	480,130	322,636	98,843	80,237
Expenses :				
Salaries and fringe benefits	258,557	218,031	-	-
Amortization	36,564	32,695	-	-
Other expenses	167,391	109,566	63,270	64,463
Total expenses	462,512	360,292	63,270	64,463
Annual surplus (deficit)	17,618	(37,656)	35,573	15,774

	Social Assitance		Housing	
	2019	2018	2019	2018
Revenues :				
Federal government transfers	640,355	631,752	196,609	223,100
Other revenues	3,108	3,790	488,087	845,791
Total revenues	643,463	635,542	684,696	1,068,891
Expenses :				
Salaries and fringe benefits	20,855	25,846	163,518	301,918
Amortization	-	-	330,282	330,799
Other expenses	312,688	284,684	212,081	639,412
Total expenses	333,543	310,530	705,881	1,272,129
Annual surplus (deficit)	309,920	325,012	(21,185)	(203,238)

	Economic Development		Others	
	2019	2018	2019	2018
Revenues :				
Federal government transfers	101,627	-	-	-
Provincial government transfers	466,585	-	-	-
Other revenues	4,312,296	3,867,507	322,623	352,723
Total revenues	4,880,508	4,052,852	322,623	352,723
Expenses :				
Salaries and fringe benefits	759,594	671,224	33,988	40,187
Amortization	85,716	48,980	800	816
Other expenses	3,940,531	3,534,006	251,802	296,166
Total expenses	4,785,841	4,254,210	286,590	337,169
Annual surplus (deficit)	94,667	(201,358)	36,033	15,554

19. Segment disclosure (continued)

	Natural Resources		Total	
	2019	2018	2019	2018
Revenues :				
Federal government transfers	18,921	8,250	7,730,837	7,216,241
Provincial government transfers	409,293	331,000	946,580	382,484
Other revenues	142,507	125,333	6,844,563	9,990,177
Total revenues	570,721	464,583	15,521,980	17,588,902
Expenses :				
Salaries and fringe benefits	121,945	48,069	3,401,963	3,151,003
Amortization	18,212	16,388	849,654	777,852
Other expenses	411,383	415,718	8,556,994	8,395,587
Total expenses	551,540	480,175	12,808,611	12,324,442
Annual surplus (deficit)	19,181	(15,592)	2,713,369	5,264,460

The segment disclosure is presented before elimination of revenues and expenses for consolidation purpose.