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# Consolidated financial statements of Nunatsiavut Government

March 31, 2020

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# **Nunatsiavut Government**

## **March 31, 2020**

### **Management's Responsibility for Financial Reporting**

The accompanying consolidated financial statements of the Nunatsiavut Government and all the information therein are the responsibility of management and have been approved by the President and the Minister of Finance, Human Resources and Information Technology on behalf of the Government.

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards, as defined by the Public Sector Accounting Handbook and the Chartered Professional Accountants of Canada Handbook. Consolidated financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the consolidated financial statements are presented fairly, in all material respects.

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

The Government is responsible for ensuring that management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements.

The consolidated financial statements have been audited by Deloitte LLP in accordance with Canadian generally accepted auditing standards on behalf of the Beneficiaries of the Labrador Inuit Land Claims Agreement.



President



Minister of Finance, Human Resources  
and Information Technology

# Independent Auditor's Report

To the Members of the  
Nunatsiavut Assembly

## Opinion

We have audited the financial statements of Nunatsiavut Government (the "Government"), which comprise the consolidated statement of financial position as at March 31, 2020, and the consolidated statements of operations and accumulated surplus, remeasurement gains and losses, 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 financial statements present fairly, in all material respects, the financial position of the Government as at March 31, 2020, and the results of its financial performance and its 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 Financial Statements* section of our report. We are independent of the Government in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PSAS, 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 financial statements, management is responsible for assessing the Government'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 Government or to cease operations, or has no realistic alternative but to do so.

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

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Government'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 Government'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 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 Government to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 Government 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.

*Deloitte LLP*

Chartered Professional Accountants  
February 26, 2021

# Nunatsiavut Government

## Consolidated statement of operations and accumulated surplus

Year ended March 31, 2020

	Notes	2020 \$	2019 \$
<b>Revenue</b>			
Fiscal financing agreement		<b>75,157,790</b>	55,473,007
Interest and investment income		<b>17,365,566</b>	28,292,444
Personal income taxes		<b>7,385,977</b>	6,190,126
LILCA Chapter 19 fund		<b>4,500,993</b>	4,641,250
Newfoundland and Labrador Housing Corporation		<b>4,368,692</b>	4,222,442
Service Canada		<b>3,786,139</b>	3,305,807
Other grants and contributions		<b>3,141,554</b>	2,051,664
Other income	10	<b>2,360,756</b>	1,848,021
Goods and Services Tax		<b>2,008,167</b>	2,656,486
Indigenous Services Canada		<b>1,401,410</b>	3,868,618
Health Canada		<b>1,437,472</b>	3,197,074
Inuit Tapiriit Kanatami		<b>775,441</b>	581,987
Labrador Grenfell Regional Health Authority		<b>674,737</b>	525,512
Tasiujatsoak Trust		<b>509,711</b>	1,665,165
Government of Newfoundland and Labrador		<b>417,800</b>	437,833
Atlantic Canada Opportunities Agency		<b>315,847</b>	221,011
Vale Newfoundland and Labrador Limited		<b>206,433</b>	216,411
Mining tax royalty		<b>294,974</b>	10,175,807
Gain on disposal of tangible capital assets		<b>4,404</b>	14,462
Share of earnings from affiliated business entities		<b>393,910</b>	2,155,414
		<b>126,507,773</b>	131,740,541
<b>Expenditures</b>			
Salaries and employee benefits		<b>25,266,130</b>	23,076,517
Fiscal financing agreement		<b>22,682,540</b>	14,784,132
Nunatsiavut Government - Department of Health and Social Development Non-insured Health Benefits Program		<b>11,558,258</b>	11,627,774
Professional fees	16	<b>6,172,024</b>	5,289,140
Amortization of deferred expenditures - land claims		<b>3,383,848</b>	3,383,850
Travel	16	<b>3,106,324</b>	3,476,463
Program funding	16	<b>3,199,638</b>	2,592,538
Amortization		<b>2,577,351</b>	1,673,017
Nunatsiavut Government - Post-secondary Student Support Program		<b>2,181,636</b>	2,579,909
Nunatsiavut Government - Inuit Pathways Program		<b>1,813,709</b>	1,567,191
Rent and maintenance	16	<b>1,783,552</b>	3,178,566
Heat, light and insurance		<b>935,841</b>	932,369
Materials and supplies	16	<b>585,177</b>	452,688
Contingency reserve		<b>581,500</b>	486,500
Telephone		<b>488,538</b>	437,569
Equipment		<b>482,783</b>	307,836
Postage and shipping	16	<b>481,283</b>	171,982
Publications and printing		<b>439,432</b>	243,710
Training programs		<b>210,899</b>	272,223
Resource and research	16	<b>172,187</b>	436,398
Administration		<b>157,210</b>	29,248

**Nunatsiavut Government****Consolidated statement of operations and accumulated surplus (continued)**

Year ended March 31, 2020

	<b>2020</b>	2019
	<b>\$</b>	<b>\$</b>
<b>Expenditures (continued)</b>		
Bank charges	<b>42,560</b>	59,429
Conference and meetings	<b>40,705</b>	106,392
Advertising	<b>33,623</b>	26,943
Translation and typing	<b>26,360</b>	54,965
Foreign exchange (gain) loss	<b>15,275</b>	(37,806)
Election costs	<b>40,019</b>	65,358
Interest	<b>368</b>	345,526
	<b>88,458,770</b>	77,620,427
Annual surplus	<b>38,049,003</b>	54,120,114
Accumulated surplus, beginning of year	<b>582,942,555</b>	524,091,037
Capital transfers received during the year	<b>9,372,654</b>	4,731,404
<b>Accumulated surplus, end of year</b>	<b>630,364,212</b>	582,942,555

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

**Nunatsiavut Government**  
**Consolidated statement of financial position**  
As at March 31, 2020

		<b>2020</b>	2019
	Notes	\$	\$
<b>Financial assets</b>			
Cash and cash equivalents		<b>91,571,479</b>	75,747,666
Accounts receivable	4	<b>22,303,077</b>	20,438,824
Short-term investments		<b>72,654,300</b>	69,432,428
Restricted investments		<b>524,715,986</b>	445,847,715
Due from Labrador Inuit Capital Strategy Trust, non-interest bearing, no set terms of repayment		<b>8,321,204</b>	6,371,520
Investments at modified equity	3	<b>1</b>	1,555,778
		<b>719,566,047</b>	619,393,931
<b>Liabilities</b>			
Accounts payable and accrued liabilities		<b>7,718,705</b>	8,066,118
Demand loans		<b>287</b>	18,342
Deferred revenue	5	<b>43,866,150</b>	37,689,946
Accrued severance pay		<b>2,432,316</b>	2,298,031
Notes payable		<b>—</b>	4,430,576
		<b>54,017,458</b>	52,503,013
Net financial assets		<b>665,548,589</b>	566,890,918
Commitments	12		
Contingencies	14		
<b>Non-financial assets</b>			
Tangible capital assets	8 and 16	<b>57,368,813</b>	51,974,903
Deferred expenditures - land claims		<b>—</b>	3,383,848
Prepaid expenses		<b>484,036</b>	429,248
		<b>57,852,849</b>	55,787,999
<b>Accumulated surplus is comprised of</b>			
Accumulated surplus		<b>630,364,212</b>	582,942,555
Accumulated remeasurement gains		<b>93,037,226</b>	39,736,362
<b>Accumulated surplus</b>	9	<b>723,401,438</b>	622,678,917

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

On behalf of the Government

  
President

  
Minister of Finance, Human Resources  
and Information Technology



**Nunatsiavut Government****Consolidated statement of remeasurement gains and losses**

Year ended March 31, 2020

	Notes	2020 \$	2019 \$
<b>Accumulated remeasurement gains, beginning of year</b>		<b>39,736,362</b>	59,642,317
Unrealized gains (losses) on portfolio investments		<b>54,332,837</b>	(15,270,803)
Realized gain on portfolio investments transferred to consolidated statement of operations and accumulated surplus		<b>(1,031,973)</b>	(4,635,152)
<b>Accumulated remeasurement gains, end of year</b>	9	<b>93,037,226</b>	39,736,362

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

**Nunatsiavut Government****Consolidated statement of change in net financial assets**

Year ended March 31, 2020

	2020 \$	2019 \$
<b>Annual surplus</b>	<b>38,049,003</b>	54,120,114
Net annual unrealized remeasurement gains (losses)	<b>54,332,837</b>	(15,270,803)
Net annual realized remeasurement gains transferred to consolidated statement of operations and accumulated surplus	<b>(1,031,973)</b>	(4,635,152)
	<b>91,349,867</b>	34,214,159
<b>Change in tangible capital assets</b>		
Acquisition of tangible capital assets	<b>(7,983,857)</b>	(6,181,651)
Amortization of tangible capital assets	<b>2,577,351</b>	1,673,017
Proceeds from disposal of tangible capital assets	<b>17,000</b>	15,111
Gain on disposal of tangible capital assets	<b>(4,404)</b>	(14,462)
	<b>(5,393,910)</b>	(4,507,985)
<b>Change in other non-financial assets</b>		
Capital transfers	<b>9,372,654</b>	4,731,404
Amortization of deferred expenditures - land claims	<b>3,383,848</b>	3,383,850
Net change in prepaid expenses	<b>(54,788)</b>	(56,355)
	<b>12,701,714</b>	8,058,899
Increase in net financial assets	<b>98,657,671</b>	37,765,073
Net financial assets, beginning of year	<b>566,890,918</b>	529,125,845
<b>Net financial assets, end of year</b>	<b>665,548,589</b>	566,890,918

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

**Nunatsiavut Government**  
**Consolidated statement of cash flows**  
Year ended March 31, 2020

	Notes	2020 \$	2019 \$
<b>Operating transactions</b>			
Annual surplus		<b>38,049,003</b>	54,120,114
Changes in non-cash items			
Net annual realized remeasurement gains transferred to consolidated statement of operations and accumulated surplus		<b>(2,981,657)</b>	(4,635,152)
Forgiveness of notes payable		<b>(4,430,576)</b>	—
Share of loss (earnings) from affiliated business entities		<b>1,555,777</b>	(2,155,414)
Amortization of tangible capital assets		<b>2,577,351</b>	1,673,017
Amortization of deferred expenditures - land claims		<b>3,383,848</b>	3,383,850
Gain on disposal of tangible capital assets		<b>(4,404)</b>	(14,462)
Accrued severance pay		<b>134,285</b>	(164,366)
Other	11	<b>3,909,750</b>	(2,553,469)
		<b>42,193,377</b>	49,654,118
<b>Capital transactions</b>			
Acquisition of tangible capital assets		<b>(7,983,857)</b>	(6,181,651)
Proceeds from disposal of tangible capital assets		<b>17,000</b>	15,111
		<b>(7,966,857)</b>	(6,166,540)
<b>Financing transactions</b>			
Repayment of notes payable		—	(4,229,465)
Repayment of demand loans		<b>(18,055)</b>	(16,667)
Capital transfers		<b>9,372,654</b>	4,731,404
		<b>9,354,599</b>	485,272
<b>Investing transactions</b>			
Acquisition of short-term investments		<b>(3,221,872)</b>	(3,077,794)
Acquisition of restricted investments	18	<b>(24,535,434)</b>	(14,811,232)
		<b>(27,757,306)</b>	(17,889,026)
Net change in cash and cash equivalents		<b>15,823,813</b>	26,083,824
Cash and cash equivalents, beginning of year		<b>75,747,666</b>	49,663,842
<b>Cash and cash equivalents, end of year</b>		<b>91,571,479</b>	75,747,666

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

## **Nunatsiavut Government**

### **Notes to the consolidated financial statements**

March 31, 2020

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#### **1. Nature of operations**

The Nunatsiavut Government (the "Government") is a legal entity by virtue of both federal and provincial law. It is also the successor of the Labrador Inuit Association for purposes of the Labrador Inuit Land Claims Agreement.

The Nunatsiavut Government is not incorporated or registered under any corporations, companies, societies or similar legislation of either Canada or the Province of Newfoundland and Labrador. Its legal status is conferred under the Labrador Inuit Land Claims Agreement and the Labrador Inuit Land Claims Agreement Act, SNL 2004, c.L-3.1 and the Labrador Inuit Land Claims Agreement Act, SC 2005, c.27.

On December 1, 2005, the Nunatsiavut Government became the primary organization representing the approximately 7,200 beneficiaries to the Labrador Inuit Land Claims Agreement. The Labrador Inuit live mainly in the communities of Nain, Hopedale, Makkovik, Postville and Rigolet, and in the Upper Lake Melville area, which includes Happy Valley-Goose Bay and North West River. The Nunatsiavut Government assumed responsibility for most of the activities, programs and services that were formerly carried on by the Labrador Inuit Association.

The Nunatsiavut Government has jurisdiction over Inuit citizenship and rights and benefits under the Labrador Inuit Land Claims Agreement. In Labrador Inuit Lands and in Inuit communities, it has the power to make laws relating to cultural affairs, education and health and social services. It manages Labrador Inuit Lands and has the power to require environmental assessments for development and to permit archaeological activities.

The Nunatsiavut Government is comprised of a President, Nunatsiavut Executive Council, the Nunatsiavut Assembly and the political, social, cultural and economic institutions established by the Nunatsiavut Assembly.

The President and members of the Nunatsiavut Assembly are elected for four-year terms. The President is head of the Nunatsiavut Executive Council and the Nunatsiavut Assembly. The Nunatsiavut Assembly must have no fewer than 16 members.

Members of the Nunatsiavut Assembly are elected to represent seven Inuit constituencies: Nain, Hopedale, Makkovik, Rigolet, Postville, the Upper Lake Melville area, and the rest of Canada. From the Members of the Nunatsiavut Assembly, the President appoints a First Minister who has the support of the Nunatsiavut Assembly. The First Minister then appoints additional members of the Nunatsiavut Assembly to the Nunatsiavut Executive Council.

The Nunatsiavut Assembly functions as the Inuit Parliament. It ensures a forum for debate and the enactment of laws and oversees the actions of the Nunatsiavut Executive Council. The Nunatsiavut Executive Council implements Inuit laws, develops and implements policy, initiates and prepares legislation, oversees the administration of government, and is accountable to the Nunatsiavut Assembly.

## **2. Summary of significant accounting policies**

### *Basis of accounting*

The consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards for governments as recommended by the Public Sector Accounting Board ("PSAB") of the Institute of Chartered Professional Accountants of Canada and reflect the following significant accounting policies:

### *Reporting entity and principles of financial reporting*

The Government reporting entity includes the Nunatsiavut Government and all related entities which are accountable to and are either owned or controlled by the Nunatsiavut Government. Transactions and balances of organizations are included in these consolidated financial statements through one of the following accounting methods.

#### *(i) Consolidation method*

These consolidated financial statements consolidate the assets, liabilities and results of operations of the following government organizations:

- Nunatsiavut Government year ended March 31, 2020;
- Labrador Inuit Land Claims Implementation Trust ("Implementation Trust") year ended December 31, 2019; and
- Labrador Inuit Land Claims Settlement Trust ("Settlement Trust") year ended December 31, 2019.

All inter-organizational balances have been eliminated on consolidation.

#### *(ii) Investments at modified equity*

Labrador Inuit Capital Strategy Trust, a 100% owned subsidiary, is a Government Business Enterprise ("GBE"). This investment is accounted for using the modified equity method. Under the modified equity method, the Nunatsiavut Government recognizes its pro-rata share of the investee's net surplus (deficit) in its investment account.

### *Revenue recognition*

The Government derives certain revenues from various funding agencies. Government grants and transfers are recognized in the period in which events giving rise to the transfer occur, provided the transfers are authorized, any eligibility criteria has been met, including performance and return requirements, and reasonable estimates of the amount can be determined. Government grants and transfers received under the funding arrangements which relate to a subsequent fiscal period are reflected as deferred revenue in the year of receipt and classified as such in the Statement of Financial Position.

Interest, share of earnings (loss) from affiliated business entities, and other income are recorded in the period in which they are earned, provided that persuasive evidence of an arrangement exists and collection is reasonably assured.

### *Cash and cash equivalents*

Cash and cash equivalents include cash on hand and balances with banks. Bank borrowings are considered to be financing activities.

## **2. Summary of significant accounting policies (continued)**

### *Investments*

The fair values of investments, including mutual funds, are based on their quoted market prices on a recognized exchange. Investments are priced at their current bid prices. Subsequent changes in the fair value of investments are recognized in the statement of remeasurement gains and losses.

### *Restricted investments*

Restricted investments consist of bank accounts and portfolio investments held by the Implementation Trust and Settlement Trust. The Settlement Trust and the Implementation Trust are more fully explained in Note 6.

### *Tangible capital assets*

Tangible capital assets are assets owned by the Nunatsiavut Government which are recorded at cost. Amortization is based on the declining balance method at rates which will reduce original cost to estimated residual value over the useful life of the assets.

Rates and bases of amortization applied to write-off the cost of tangible capital assets are as follows:

Houses	4%
Mini homes	4%
Buildings	4%
Computers	30–100%
Vehicles	30%
Training facility	4%
Furniture and equipment	20%

### *Impairment of long-lived assets*

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds their fair value.

### *Deferred expenditures – land claims*

Government funding of land claims negotiation was done principally by way of loans. Accordingly, the Government deferred land claim expenditures in excess of revenue until such time as the terms of the ultimate land claims settlement were finalized. These expenditures are now being amortized over the period of the land claims settlement payment period, being fifteen years.

### *Severance pay*

Severance pay is accounted for on an accrual basis and is calculated based upon years of service and current salary levels. The right to be paid severance vests with employees with five or more years of service and accordingly no provision has been made in the accounts for employees with less than five years of continual service. The amount is payable when the employee ceases employment with the Government.

## **2. Summary of significant accounting policies (continued)**

### *Financial instruments*

The carrying amount of the financial assets and financial liabilities of the Government, by measurement basis used, are summarized as follows:

- Short-term investments and restricted investments are measured at fair value.
- Cash and cash equivalents, accounts receivable and due from Labrador Inuit Capital Strategy Trust are measured at amortized cost.
- Accounts payable and accrued liabilities, demand loans and accrued severance pay are measured at amortized cost.

### *Capital reserve*

#### *(i) Implementation Trust*

As of December 1, 2015, per the articles of the Implementation Trust indenture, a capital reserve was established. The capital reserve is restricted through the trust indenture and no payments are to be made from the capital reserve until termination of the Trust. At this time, the funds in the capital reserve shall be transferred and distributed to the Nunatsiavut Government.

At all times following the tenth anniversary of the Effective Date, the capital reserve shall have amounts equal to at least 75% of all capital transfers received prior to such time and at least 15% of the income of the fund for each fiscal year. Income from the fund is defined under the Trust indenture as income of the Trust for the year computed in accordance to provisions of the Income Tax Act (Canada) R.S.C 1985.

#### *(ii) Settlement Trust*

The capital reserve is a separate account of the Settlement Trust established and maintained by the trustees as per the articles of the trust indenture. This balance is comprised of 100% of all contributions to the Trust each fiscal year and additional amount from income of the Trust for a particular year, provided that this amount is not less than the rate of inflation for the fiscal year. No payment shall be made out of the capital reserve without the consent of a Special Resolution of the Nunatsiavut Assembly. The capital reserve shall be transferred to the Nunatsiavut Government or to any other organization that is organized and established exclusively for the benefit of Eligible Beneficiaries upon termination of the Trust.

### *Use of estimates*

In preparing consolidated financial statements in conformity with Canadian public sector accounting standards, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenditures during the year. Key areas where management has made complex or subjective judgments include the valuation of short-term investments, restricted investments and investments at modified equity, collectability of due from Labrador Inuit Capital Strategy Trust, collectability of accounts receivable, residual value of tangible capital assets, useful lives of tangible capital assets, and valuation of accruals. Actual results could materially differ from these estimates.

## **2. Summary of significant accounting policies (continued)**

### *Use of estimates (continued)*

In addition, another financial statement item for which an annual estimate is made is personal income tax revenue. The Government receives a monthly amount from the Government of Canada which is recorded as revenue when received. Management believes this is a reasonable estimate of their total entitlement, but it is subject to an adjustment by the Government of Canada once the final figures are available.

## **3. Investment at modified equity**

	<b>2020</b>	2019
	\$	\$
Labrador Inuit Capital Strategy Trust	<b>1</b>	1,555,778

## **4. Accounts receivable**

	<b>2020</b>	2019
	\$	\$
Trade	<b>22,093,091</b>	20,401,205
Affiliated organizations, no set terms of repayment	<b>209,986</b>	37,619
	<b>22,303,077</b>	20,438,824

## **5. Deferred revenue**

	<b>2020</b>	2019
	\$	\$
Fiscal financing agreement	<b>29,452,232</b>	30,153,349
Government of Canada	<b>4,728,664</b>	2,439,615
Other	<b>4,658,895</b>	1,646,378
Health Canada	<b>3,462,877</b>	2,015,708
Tasiujatsoak Trust	<b>994,605</b>	1,077,378
Government of Newfoundland and Labrador	<b>202,290</b>	47,623
Personal income tax	<b>200,000</b>	200,000
Impact benefits agreement	<b>166,587</b>	109,895
	<b>43,866,150</b>	37,689,946



## 6. Trusts

The Nunatsiavut Government has established the Labrador Inuit Land Claims Implementation Trust and Labrador Inuit Land Claims Settlement Trust. The two separate trusts are formed to receive funds disbursed to the Government under the Labrador Inuit Land Claims Agreement. The two trusts are described below.

### *Labrador Inuit Land Claims Settlement Trust*

The Government of Canada transferred \$140 million in 1997 dollars, according to a specified schedule of payments over 15 years.

### *Labrador Inuit Land Claims Implementation Trust*

The Government of Canada has transferred \$156 million in 1997 dollars to the Nunatsiavut Government for implementation of the Agreement. In exchange for this implementation fund, the Inuit released the Government of Canada from future funding obligations, except for some specific funding obligations set out in the Agreement.

## 7. Notes payable

During March 2019, the Government of Canada released their 2019 budget which included forgiving all outstanding comprehensive claim negotiations loans as well as reimbursing Indigenous Governments for monies that had already been paid on these loans. As a result, the notes payable balance of \$4,430,576 to Indigenous Services Canada was written off in its entirety in 2020 as no further repayments are required related to these notes payable.

## 8. Tangible capital assets

	<b>Cost</b>	<b>Accumulated amortization</b>	<b>2020 Net book value</b>	<b>Cost</b>	<b>2019 Net book value</b>
	\$	\$	\$	\$	\$
Houses	<b>1,451,333</b>	<b>477,324</b>	<b>974,009</b>	1,451,333	1,014,623
Mini homes	<b>756,303</b>	<b>402,020</b>	<b>354,283</b>	741,104	353,529
Buildings	<b>67,622,217</b>	<b>13,122,945</b>	<b>54,499,272</b>	60,329,545	49,401,597
Computers	<b>415,924</b>	<b>369,664</b>	<b>46,260</b>	415,924	66,086
Vehicles	<b>3,089,592</b>	<b>2,038,287</b>	<b>1,051,305</b>	2,754,372	754,585
Training facility	<b>195,645</b>	<b>28,640</b>	<b>167,005</b>	195,645	173,965
Furniture and equipment	<b>4,877,956</b>	<b>4,601,277</b>	<b>276,679</b>	4,756,753	210,518
	<b>78,408,970</b>	<b>21,040,157</b>	<b>57,368,813</b>	70,644,676	51,974,903

Included in buildings is \$3,705,449 (\$1,323,486 in 2019) in costs related to the construction of housing units in Nain. These units are not ready for use and therefore costs are not yet subject to amortization.

## 9. Accumulated surplus

	<b>2020</b>	2019
	<b>\$</b>	<b>\$</b>
Unrestricted	<b>113,165,577</b>	106,867,965
Internally restricted	<b>93,380,015</b>	65,462,005
Accumulated remeasurement gains	<b>93,037,226</b>	39,736,362
Capital reserves (Note 2)	<b>293,209,802</b>	282,922,896
Labrador Inuit Land Claims Implementation Trust (Note 8)	<b>77,355,461</b>	81,600,458
Labrador Inuit Land Claims Settlement Trust (Note 2 and 8)	<b>53,253,357</b>	46,089,231
	<b>723,401,438</b>	622,678,917

The Government has decided to set aside certain funds in the amount of \$93,380,015 (\$65,462,005 in 2019) to be used for various purposes, including the future operations of the Government, equipment purchases, cultural activities and certain restoration work. The following details the balances contained in internally restricted funds:

	<b>2020</b>	2019
	<b>\$</b>	<b>\$</b>
Fiscal financing agreement	<b>55,258,128</b>	31,689,685
Mining and mineral rights tax	<b>20,275,370</b>	19,980,370
Personal income tax	<b>7,352,248</b>	4,166,271
Renewable resources fund	<b>5,876,619</b>	5,008,029
Health Canada - Non-insured Health Benefits	<b>4,050,508</b>	4,050,508
Residential schools	<b>494,058</b>	494,058
Other	<b>73,084</b>	73,084
	<b>93,380,015</b>	65,462,005

Accumulated surpluses of the Implementation Trust and the Settlement Trust include Capital Transfers to the Trusts under Chapter 19 and 23 of the Labrador Inuit Land Claims Agreement and investment income earned on those funds. Certain amounts within the Trusts are held as capital reserve as described in Notes 2 and 6. During the year annual surplus of \$10,286,906 (\$7,491,534 in 2019) was transferred to the capital reserve of the Trusts.

## 10. Other income

	<b>2020</b>	2019
	<b>\$</b>	<b>\$</b>
Other	<b>2,230,565</b>	1,752,669
Rentals	<b>130,191</b>	95,352
	<b>2,360,756</b>	1,848,021

## **11. Supplemental cash flow information**

*Change in other*

	<b>2020</b>	2019
	<b>\$</b>	<b>\$</b>
Accounts receivable	<b>(1,864,253)</b>	(9,550,366)
Accounts payable and accrued liabilities	<b>(347,413)</b>	(1,438,106)
Deferred revenue	<b>6,176,204</b>	8,491,358
Prepaid expenses	<b>(54,788)</b>	(56,355)
	<b>3,909,750</b>	(2,553,469)
Interest received	<b>3,451,261</b>	2,118,232
Interest paid	<b>368</b>	344,564

## **12. Commitments**

The Government has commitments for the lease of office space and office equipment as follows: \$548,559 in 2021; \$159,899 in 2022; \$4,817 in 2023; \$4,817 in 2024; \$352 in 2025.

## **13. Financial instruments**

*Financial risk factors*

The Government has exposure to credit risk, liquidity risk and market risk. The Government has overall responsibility for the oversight of these risks and reviews its policies on an ongoing basis to ensure that these risks are appropriately managed. The source of risk exposure and how each is managed is outlined below:

*Credit risk*

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligation. The Government's credit risk is primarily attributable to receivables and its counterparty risk in investments. Management believes that the credit risk with respect to receivables is not significant. As at March 31, 2020 the Government maintained an allowance for doubtful accounts of \$2,697 (\$2,697 in 2019) against receivables. Management also believes that the credit risk with respect to investments is not significant due to the underlying credit quality of the investments and the compliance with the Government's investment policy.

*Liquidity risk*

Liquidity risk is the risk that the Government will not be able to meet its financial obligations as they become due. The Government's assets are principally comprised of cash and liquid investments which can be realized to meet the Government's obligations.

### **13. Financial instruments (continued)**

#### *Market risk*

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates, and equity prices will affect the Government's net surplus or deficit, or the value of its financial instruments.

#### *(i) Interest rate risk*

The Government's financial assets are exposed to fluctuations in interest rates with respect to its investment portfolio. Management believes that interest rate risk with respect to investments is not significant due to its diversification and investment strategies.

#### *(ii) Foreign exchange risk*

Foreign exchange risk arises from the Government's holding of foreign currency-denominated investments. As at March 31, 2020, the Government held foreign currency-denominated investments of \$19,411,506 (\$81,303,814 in 2019). The Government manages this risk primarily through diversifying the investments across currencies and complying with Government approved investment strategies.

#### *(iii) Equity price risk*

Equity price risk arises from the Government's holding of pooled equity funds. The Government manages this risk through diversifying its investments across industry sectors and complying with Government approved investment strategies.

#### *Fair value*

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For the year ended March 31, 2020, short-term investments and restricted investments are included in Level 2. There are no financial instruments included in Levels 1 and 3.

### **14. Contingencies**

The Government is subject to various legal proceedings claims and other matters that arise in the ordinary course of carrying out its programs and other day to day operations. Management continues to evaluate their position in regards to these items and believe that the amount of liability, if any, from these items would not have a material effect on the Government's financial position or results of its operations.

## Nunatsiavut Government

### Notes to the consolidated financial statements

March 31, 2020

#### 15. Defined contribution pension plan

The Nunatsiavut Government employees are members of a defined contribution pension plan registered in the name of the Nunatsiavut Government. The assets of the plan are held separately from those of the Government in an independently administered fund. Contributions paid and expensed by the Government for the year ended March 31, 2020 amounted to \$569,663 (\$545,336 in 2019).

#### 16. Related party transactions

During the year, the Government entered into the following transactions with entities under common control. All related party transactions entered into during the year are in the normal course of business and measured at the exchange amount estimated and agreed to by the parties.

	NGC Nunatsiavut Construction Inc.	NGC Nunatsiavut Inc.	Air Borealis Limited Partnership	Universal Helicopters Newfoundland and Labrador LP	Nunak Land Corporation	2020 Total	2019 Total
	\$		\$	\$	\$	\$	\$
Tangible capital assets							
Building additions	15,199	—	—	—	—	15,199	89,083
Expenditures							
Professional fees	728,973	147,818	—	—	—	876,791	1,638,651
Travel	105	—	720,742	62,820	—	783,667	966,628
Rent and maintenance	54,837	—	149	48,027	119,106	222,119	344,532
Heat, lights and insurance	—	—	177,639	—	—	177,639	—
Postage and shipping	142	—	43,831	—	—	43,973	162,416
Program funding	—	—	562	36,511	—	37,073	25,460
Stationary and supplies	2,625	—	136	—	105	2,866	—
Resource and research	—	—	—	—	—	—	18,044

#### 17. COVID-19

On March 11, 2020, the World Health Organization characterized the outbreak of a strain in the novel coronavirus ("COVID-19") as a pandemic, which has resulted in a series of public health and emergency measures that have been put into place to combat the spread of the virus. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the Government in future periods.

**Nunatsiavut Government****Notes to the consolidated financial statements**March 31, 2020

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**18. Comparative figures**

Certain comparative figures on the consolidated statement of cash flows have been reclassified to conform to the current year presentation. The change has been summarized below.

	Previously Reported	Reclassification	Reclassified Balance
Net annual unrealized remeasurement losses	(15,270,803)	15,270,803	-
Disposal (acquisition) of restricted investments	459,571	(15,270,803)	<b>(14,811,232)</b>