

Nipigon & Red Rock Plumbing & Heating, LP
Financial Statements
March 31, 2023

Nipigon & Red Rock Plumbing & Heating, LP

Contents

For the year ended March 31, 2023

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To the Partners of Nipigon & Red Rock Plumbing & Heating, LP:

Qualified Opinion

We have audited the financial statements of Nipigon & Red Rock Plumbing & Heating, LP (the "Partnership"), which comprise the balance sheet as at March 31, 2023, and the statements of earnings (loss), partners' capital and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Partnership as at March 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Basis for Qualified Opinion

We did not observe the counting of physical inventory recorded in the amount of \$24,075 as at March 31, 2023 (2022 - \$41,197) and the Partnership does not obtain an independent measure. We were unable to satisfy ourselves by alternative means concerning inventory quantities held as at March 31, 2023. Since inventories enter into the determination of the results of operations and changes in financial position, we were unable to determine whether any adjustments might be necessary to cost of sales, net earnings and cash flows from operations for the years ended March 31, 2023 and 2022 and inventory and partners' capital as at March 31, 2023 and 2022. The audit opinion on the financial statements for the year ended March 31, 2022 was qualified accordingly because of the possible effects of the limitation in scope.

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 Financial Statements section of our report. We are independent of the Partnership 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 qualified opinion.

Other Matter – Restriction on Distribution or Use

These financial statements have been prepared to assist the Partnership in meeting its reporting requirements to its financial institution. Our report is intended solely for the Partnership and its financial institution and should not be distributed to or used by parties other than the Partnership or its financial institution.

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 Canadian accounting standards for private enterprises, 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 Partnership'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 Partnership or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Partnership'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 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 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 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 Partnership'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 Partnership'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 Partnership 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.

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

Thunder Bay, Ontario

March 19, 2024

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

Nipigon & Red Rock Plumbing & Heating, LP
Balance Sheet
As at March 31, 2023

	2023	2022
Assets		
Current		
Cash	140,278	222,055
Accounts receivable (Note 3), (Note 6)	180,593	161,937
Inventory (Note 4)	24,075	41,197
	344,946	425,189
Equipment (Note 5)	36,663	51,747
	381,609	476,936
Liabilities		
Current		
Accounts payable and accruals (Note 6)	57,204	70,395
Government remittances payable	20,312	25,345
Customer deposits	4,172	5,510
Due to Partner (Note 7)	61,822	64,263
	143,510	165,513
Due to related party (Note 8)	200,000	263,236
	343,510	428,749
Partners' Capital	38,099	48,187
	381,609	476,936

Approved on behalf of the Partners


 Partner

 Partner

Nipigon & Red Rock Plumbing & Heating, LP

Statement of Earnings (Loss)

For the year ended March 31, 2023

	2023	2022
Revenue		
Sales (Note 6)	986,282	824,274
Grant revenue	44,619	-
Other revenue	11,728	8,919
Interest	-	193
	1,042,629	833,386
Cost of sales (Note 6)		
Purchases	343,532	281,749
Freight	11,337	11,700
Subcontracts	11,312	5,325
	366,181	298,774
Gross profit	676,448	534,612
<i>Gross profit as a percentage of revenue</i>	64.9 %	64.1 %
Expenses (Note 6)		
Salaries, wages and benefits	541,697	443,531
Vehicle expenses	32,993	23,170
Insurance	20,216	19,333
Professional fees	17,813	19,327
Amortization	15,085	13,024
Bad debts	12,561	40,279
Rent	12,000	12,025
Telephone, fax and internet	9,383	5,253
Business taxes and licences	8,278	7,378
Credit card charges	4,318	2,484
Interest and bank charges	3,409	2,435
Office	3,275	5,217
Travel	2,562	1,296
Equipment rental	2,156	3,002
Advertising and promotion	600	-
Training and education	160	-
Repairs and maintenance	30	565
	686,536	598,319
Loss before other items	(10,088)	(63,707)
Other items		
Government assistance	-	75,362
Net earnings (loss)	(10,088)	11,655

The accompanying notes are an integral part of these financial statements

Nipigon & Red Rock Plumbing & Heating, LP
Statement of Partners' Capital
For the year ended March 31, 2023

	2023	2022
Red Rock IB, LP		
Balance, beginning of year	43,396	32,325
Share of earnings (loss)	(9,583)	11,071
Balance, end of year	33,813	43,396
Nipigon & Red Rock Plumbing & Heating Limited		
Balance, beginning of year	4,791	4,207
Share of earnings (loss)	(505)	584
Balance, end of year	4,286	4,791
	38,099	48,187

Nipigon & Red Rock Plumbing & Heating, LP

Statement of Cash Flows

For the year ended March 31, 2023

	2023	2022
Cash provided by (used for) the following activities		
Operating activities		
Net earnings (loss)	(10,088)	11,655
Amortization	15,085	13,024
	4,997	24,679
Changes in working capital accounts		
Accounts receivable	(18,657)	128,242
Inventory	17,122	(1,407)
Accounts payable and accruals	(13,191)	30,666
Government remittances payable	(5,033)	16,244
Customer deposits	(1,338)	-
	(16,100)	198,424
Financing activities		
Repayment of advances from related parties	(63,236)	-
Repayments on line of credit	-	(18,000)
Repayment of advances from partners	(2,441)	(2,306)
	(65,677)	(20,306)
Investing activities		
Purchases of property and equipment	-	(39,055)
Increase (decrease) in cash resources	(81,777)	139,063
Cash resources, beginning of year	222,055	82,992
Cash resources, end of year	140,278	222,055

Nipigon & Red Rock Plumbing & Heating, LP

Notes to the Financial Statements

For the year ended March 31, 2023

1. Operations

Nipigon & Red Rock Plumbing & Heating, LP (the "Partnership") was created on May 19, 2015 for the purpose of carrying on heating and plumbing installation and repair activities for the benefit of the members of the Red Rock Indian Band. Commercial operations began on May 19, 2015. These financial statements do not include all the assets, liabilities, revenues and expenses of the partners. No provision has been made for the partners' income taxes.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for private enterprises using the following significant accounting policies:

Cash and cash equivalents

Cash and cash equivalents include balances with banks, including balances which fluctuate regularly between positive and negative.

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined by the first-in, first-out method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling costs.

Equipment

Equipment is initially recorded at cost. Amortization is provided using the declining balance method at rates intended to amortize the cost of assets over their estimated useful lives.

	Method	Rate
Automotive	declining balance	30 %
Computer equipment	declining balance	30 %
Equipment	declining balance	20 %
Office equipment	declining balance	20 %

In the year of acquisition, amortization is taken at one-half of the above rates.

Long-lived assets

Long-lived assets consist of equipment. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Partnership performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying amount of an asset, or group of assets, may not be recoverable. The carrying amount of a long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted future cash flows from its use and disposal. If the carrying amount is not recoverable, impairment is then measured as the amount by which the asset's carrying amount exceeds its fair value. Fair value is measured using quoted market prices. Any impairment is included in earnings (loss) for the year.

Revenue recognition

Sales and other income is recognized when goods have been delivered or services performed, the amount to be received is measurable and collectability is reasonably assured.

Nipigon & Red Rock Plumbing & Heating, LP

Notes to the Financial Statements

For the year ended March 31, 2023

2. Significant accounting policies (Continued from previous page)

Measurement uncertainty (use of estimates)

The preparation of financial statements in conformity with Canadian accounting standards for private enterprises requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary.

Accounts payable and accruals are estimated based on historical charges for unbilled goods and services at year-end.

Amortization is based on the estimated useful life of equipment.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings (loss) in the period in which they become known.

Government assistance

Claims for assistance under various government grant programs are recorded as other income in the period in which eligible expenditures are incurred.

Financial instruments

The Partnership recognizes its financial instruments when the Partnership becomes party to the contractual provisions of the financial instrument.

Arm's length financial instruments

Financial instruments originated/acquired or issued/assumed in an arm's length transaction ("arm's length financial instruments") are initially recorded at their fair value.

At initial recognition, the Partnership may irrevocably elect to subsequently measure any arm's length financial instrument at fair value. The Partnership has not made such an election during the year. Fair value is determined by reference to recent arm's length transactions.

The Partnership subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those designated in a qualifying hedging relationship or that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, at fair value. Fair value is determined by published price quotations. Investments in equity instruments not quoted in an active market and derivatives that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, are subsequently measured at cost less impairment. With the exception of financial liabilities indexed to a measure of the Partnership's performance or value of its equity and those instruments designated at fair value, all other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in net income (loss). Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

Related party financial instruments

The Partnership initially measures the following financial instruments originated/acquired or issued/assumed in a related party transaction ("related party financial instruments") at fair value:

- Investments in equity instruments quoted in an active market.
- Debt instruments quoted in an active market.
- Debt instruments when the inputs significant to the determination of its fair value are observable (directly or indirectly).
- Derivative contracts.

Nipigon & Red Rock Plumbing & Heating, LP

Notes to the Financial Statements

For the year ended March 31, 2023

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

All other related party financial instruments are measured at cost on initial recognition. When the financial instrument has repayment terms, cost is determined using the undiscounted cash flows, excluding interest, dividend, variable and contingent payments, less any impairment losses previously recognized by the transferor. When the financial instrument does not have repayment terms, but the consideration transferred has repayment terms, cost is determined based on the repayment terms of the consideration transferred. When the financial instrument and the consideration transferred both do not have repayment terms, the cost is equal to the carrying or exchange amount of the consideration transferred or received (refer to Note 6).

At initial recognition, the Partnership may elect to subsequently measure related party debt instruments that are quoted in active market, or that have observable inputs significant to the determination of fair value, at fair value.

The Partnership subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those designated in a qualifying hedging relationship or that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, at fair value. Fair value is determined by published price quotations. Financial instruments that were initially measured at cost and derivatives that are linked to, and must be settled by, delivery of unquoted equity instruments of another entity, are subsequently measured using the cost method less any reduction for impairment.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of related party financial instruments are immediately recognized in net earnings (loss).

Financial asset impairment

The Partnership assesses impairment of all its financial assets measured at cost or amortized cost. The Partnership groups assets for impairment testing when there are numerous assets affected by the same factors. Management considers whether the issuer is having significant financial difficulty in determining whether objective evidence of impairment exists. When there is an indication of impairment, the Partnership determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year.

With the exception of related party debt instruments and related party equity instruments initially measured at cost, the Partnership reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets at the balance sheet date; and the amount expected to be realized by exercising any rights to collateral held against those assets.

For related party debt instruments initially measured at cost, the Partnership reduces the carrying amount of the asset (or group of assets), to the highest of: the undiscounted cash flows expected to be generated by holding the asset, or group of similar assets, excluding the interest and dividend payments of the instrument; the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets at the balance sheet date; and the amount expected to be realized by exercising any rights to collateral held against those assets.

For related party equity instruments initially measured at cost, the Partnership reduces the carrying amount of the asset (or group of assets), to the amount that could be realized by selling the asset(s) at the balance sheet date.

Any impairment, which is not considered temporary, is included in current year net earnings (loss).

The Partnership reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in net earnings (loss) in the year the reversal occurs.

3. Accounts receivable

	2023	2022
Trade receivables	260,041	228,824
Allowance for doubtful accounts	(79,448)	(66,887)
	180,593	161,937

Nipigon & Red Rock Plumbing & Heating, LP
Notes to the Financial Statements
For the year ended March 31, 2023

4. Inventory

	2023	2022
Parts and supplies	24,075	41,197

During the year, the cost of inventories recognized as an expense is \$343,532 (2022 - \$281,749).

5. Equipment

	Cost	Accumulated amortization	2023 Net book value	2022 Net book value
Automotive	105,175	72,908	32,267	46,096
Computer equipment	1,540	661	879	1,256
Equipment	11,755	8,480	3,275	4,093
Office equipment	1,281	1,039	242	302
	119,751	83,088	36,663	51,747

6. Related party transactions

The Partnership is related to Red Rock Indian Band, a company related by virtue of the fact that Red Rock Indian Band indirectly controls the operations of the Partnership through Red Rock IB, LP.

The Partnership is related to Lake Helen Gas and Variety, LP, a company related through common control.

The Partnership is related to 2190774 Ontario Limited, a company related through common control.

Included in sales is \$342,271 (2022 - \$114,385) from Red Rock Indian Band.

Included in cost of sales is \$Nil (2022- \$2,651), and included in expenses is \$15,744 (2022 - \$22,651) paid to Red Rock Indian Band.

Included in sales is \$2,865 (2022 - \$1,057) from Lake Helen Gas & Variety, LP.

Included in expenses is \$20,117 (2022 - \$17,317) paid to Lake Helen Gas & Variety, LP.

Included in sales is \$15,914 (2022 - \$532) from 2190774 Ontario Limited.

These transactions were conducted in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Included in accounts payable and accruals are amounts owing to a Red Rock Indian Band in the amount of \$1,150 (2022 - \$9,623) and included in accounts receivable are amounts receivable from Red Rock Indian Band in the amount of \$16,015 (2022 - \$9,850).

7. Due to Partner

Amounts owing to the partner are unsecured, non-interest bearing, and have no fixed terms of repayment.

	2023	2022
Nipigon & Red Rock Plumbing & Heating Limited	61,822	64,263

Nipigon & Red Rock Plumbing & Heating, LP

Notes to the Financial Statements

For the year ended March 31, 2023

8. Due to related party

	2023	2022
Due to Red Rock Indian Band, a company related by virtue of the fact that Red Rock Indian Band indirectly controls the operations of the Partnership through Red Rock IB, LP.		
The balance is unsecured, bears no interest, and has no fixed terms of repayment	200,000	263,236

9. Financial instruments

The Partnership, as part of its operations, carries a number of financial instruments. It is management's opinion that the Partnership is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

Liquidity risk

Liquidity risk is the risk that the Partnership will encounter difficulty in meeting obligations associated with financial liabilities. The Partnership enters into transactions to purchase goods and services on credit, for which repayment is required at various maturity dates.

Fair value

The fair value of current financial assets and current financial liabilities approximates their carrying value due to their short-term maturity dates. The fair value of long-term financial liabilities approximates their carrying value based on the presumption that the Partnership is a going concern and thus expects to fully repay the outstanding amounts.