

**Chippewas of Nawash Unceded
First Nation
Consolidated Financial Statements**
March 31, 2017

Chippewas of Nawash Unceded First Nation

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For the year ended March 31, 2017

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Management's Responsibility

To the Chief and Council and Members of Chippewas of Nawash Unceded First Nation:

The accompanying consolidated financial statements of Chippewas of Nawash Unceded First Nation are the responsibility of management and have been approved by the Chief and Council.

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Chippewas of Nawash Unceded First Nation Chief and Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the consolidated financial statements. The Chief and Council fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Chief and Council is also responsible for the appointment of the First Nation's external auditors.

MNP LLP is appointed by the Chief and Council to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Chief and Council and management to discuss their audit findings.

August 28, 2017

Original Signed By:
Pat Chegahno

Band Administrator

Independent Auditors' Report

To the Chief and Council and Members of Chippewas of Nawash Unceded First Nation:

We have audited the accompanying consolidated financial statements of Chippewas of Nawash Unceded First Nation, which comprise the consolidated statement of financial position as at March 31, 2017, and the consolidated statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Chippewas of Nawash Unceded First Nation as at March 31, 2017 and the results of its operations, changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Cambridge, Ontario

August 28, 2017

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

MNP

Chippewas of Nawash Unceded First Nation

Consolidated Statement of Financial Position

As at March 31, 2017

| | 2017 | 2016 | |
|---|-------------------|-------------------------|-------------------|
| Financial assets | | | |
| Cash and cash equivalents (Note 3) | 8,893,009 | 6,564,692 | |
| Restricted cash (Note 4) | 1,466,483 | 1,445,580 | |
| Accounts receivable (Note 5) | 748,464 | 446,521 | |
| Housing loans receivable (Note 6) | 1,767,208 | 1,853,347 | |
| Other accounts receivable | 2,540,951 | 2,673,814 | |
| Funds held in trust (Note 7) | 495,170 | 465,338 | |
| Portfolio investments (Note 8) | 36,000,000 | 36,000,000 | |
| Total of financial assets | 51,911,285 | 49,449,292 | |
| Liabilities | | | |
| Accounts payable and accruals (Note 10) | 2,839,877 | 2,926,644 | |
| Deferred revenue (Note 11) | 4,837,982 | 4,023,325 | |
| Payable to funding agency | 169,688 | 189,369 | |
| Long-term debt (Note 12) | 36,861,391 | 38,315,697 | |
| Total of liabilities | 44,708,938 | 45,455,035 | |
| Net financial assets | 7,202,347 | 3,994,257 | |
| Contingencies (Note 13) | | | |
| Non-financial assets | | | |
| Tangible capital assets (Note 14) (Schedule 1) | 18,544,564 | 18,389,638 | |
| Prepaid expenditures | 96,446 | 96,446 | |
| Total non-financial assets | 18,641,010 | 18,486,084 | |
| Accumulated surplus (Note 15) | 25,843,357 | 22,480,341 | |
| Approved on behalf of the First Nation - Original Signed By: | | | |
| <u>Gregory Nadjiwon</u> | Chief | <u>Carlene Keeshig</u> | Councillor |
| <u>Nick Saunder</u> | Councillor | <u>Anthony Chegahno</u> | Councillor |
| <u>Martha Pedoniquotte</u> | Councillor | <u>Peggy Mansur</u> | Councillor |
| <u>Arlene Chegahno</u> | Councillor | <u>Sidney Nadjiwon</u> | Councillor |
| Joss Ann Russel-Taylor | | John Bernard Keeshig | |

The accompanying notes are an integral part of these financial statements

Chippewas of Nawash Unceded First Nation

Consolidated Statement of Operations and Accumulated Surplus

For the year ended March 31, 2017

| | 2017 <i>Budget</i> <i>(Note 20)</i> | 2017 | 2016 |
|--|---|-------------|-------------|
| Revenues | | | |
| Federal government | | | |
| Indigeneous and Northern Affairs Canada | 4,807,983 | 5,589,311 | 5,168,169 |
| Health Canada | 737,439 | 1,057,608 | 1,076,159 |
| Canadian Mortgage and Housing Corporation | - | 124,088 | 126,722 |
| Other federal government funding | 46,300 | 59,214 | 149,733 |
| Provincial government | 2,239,380 | 3,948,268 | 3,755,283 |
| Ontario First Nations Limited Partnership funds | 868,000 | 1,281,188 | 1,137,313 |
| Saugeen Ojibway Nation projects | 2,194,698 | 2,179,033 | 2,018,543 |
| Other | 1,395,766 | 3,740,391 | 3,035,280 |
| Saugeen Ojibway Nation Finance Corporation investment income | - | 3,470,921 | 3,947,240 |
| Deferred revenue - prior year <i>(Note 11)</i> | 4,023,325 | 4,023,325 | 2,266,461 |
| Deferred revenue - current year <i>(Note 11)</i> | - | (4,837,982) | (4,023,325) |
| Repayment of funding | - | (118,932) | (261,829) |
| | 16,312,891 | 20,516,433 | 18,395,749 |
| Expenditures <i>(Note 25)</i> | | | |
| Administration fee recovery | (170,000) | (333,494) | (355,536) |
| Amortization | - | 708,812 | 666,460 |
| Band Government | 1,704,884 | 1,946,111 | 1,885,833 |
| Community Services | 1,771,347 | 1,956,860 | 1,826,194 |
| Economic Development | 808,994 | 836,614 | 766,014 |
| Education | 3,263,905 | 3,256,814 | 2,940,479 |
| Employment Programs | - | 283,150 | 215,462 |
| Health | 1,225,322 | 1,948,373 | 1,808,174 |
| Housing | 283,736 | 254,579 | 385,327 |
| Land Claims | - | 413,334 | 421,608 |
| Public Works | 1,685,162 | 1,217,697 | 1,271,284 |
| Saugeen Ojibway Nation Finance Corporation expenditures | - | 1,315,074 | 1,506,495 |
| Saugeen Ojibway Nation projects | 2,194,698 | 2,101,357 | 2,102,174 |
| Social Services | 569,628 | 1,298,875 | 1,254,148 |
| | 13,337,676 | 17,204,156 | 16,694,116 |
| Surplus before other items | 2,975,215 | 3,312,277 | 1,701,633 |
| Other income | | | |
| Change in Canadian Mortgage and Housing Corporation reserves | - | 20,907 | 3,530 |
| Change in trust accounts | - | 29,832 | 27,070 |
| | - | 50,739 | 30,600 |
| Surplus | 2,975,215 | 3,363,016 | 1,732,233 |
| Accumulated surplus, beginning of year | 22,480,341 | 22,480,341 | 20,748,108 |
| Accumulated surplus, end of year | 25,455,556 | 25,843,357 | 22,480,341 |

The accompanying notes are an integral part of these financial statements

Chippewas of Nawash Unceded First Nation

Consolidated Statement of Change in Net Financial Assets

For the year ended March 31, 2017

| | <i>2017 Budget (Note 20)</i> | <i>2017</i> | <i>2016</i> |
|--|--------------------------------------|------------------|-------------|
| Annual surplus | 2,975,215 | 3,363,016 | 1,732,233 |
| Purchases of tangible capital assets | - | (863,738) | (1,025,556) |
| Amortization of tangible capital assets | - | 708,812 | 666,460 |
| Use of prepaid expenditures | - | - | 14,264 |
| Increase in net financial assets | 2,975,215 | 3,208,090 | 1,387,401 |
| Net financial assets, beginning of year | 3,994,257 | 3,994,257 | 2,606,856 |
| Net financial assets, end of year | 6,969,472 | 7,202,347 | 3,994,257 |

The accompanying notes are an integral part of these financial statements

Chippewas of Nawash Unceded First Nation

Consolidated Statement of Cash Flows

For the year ended March 31, 2017

| | 2017 | 2016 |
|---|-------------|-------------|
| Cash provided by (used for) the following activities | | |
| Operating activities | | |
| Surplus | 3,363,016 | 1,732,233 |
| Non-cash items | | |
| Amortization | 708,812 | 666,460 |
| Doubtful mortgages (recovery) | (26,000) | 151,000 |
| Discounts on housing loans | 15,725 | 19,985 |
| | 4,061,553 | 2,569,678 |
| Changes in working capital accounts | | |
| Accounts receivable | (301,943) | (38,583) |
| Prepaid expenditures | - | 14,264 |
| Other accounts receivable | 132,863 | (372,464) |
| Accounts payable and accruals | (86,767) | (92,137) |
| Deferred revenue | 814,657 | 1,756,864 |
| Payable to funding agency | (19,681) | 96,415 |
| Advances of housing and emergency loans | (156,333) | (73,129) |
| Repayment of housing and emergency loans | 252,747 | 212,595 |
| | 4,697,096 | 4,073,503 |
| Financing activities | | |
| Repayments of long-term debt | (1,454,306) | (1,252,238) |
| Capital activities | | |
| Purchases of tangible capital assets | (863,738) | (1,025,556) |
| Investing activities | | |
| Net change in restricted cash | (20,903) | (7,941) |
| Change in funds held in trust | (29,832) | (27,070) |
| | (50,735) | (35,011) |
| Increase in cash resources | 2,328,317 | 1,760,698 |
| Cash resources, beginning of year | 6,564,692 | 4,803,994 |
| Cash resources, end of year | 8,893,009 | 6,564,692 |
| Supplementary cash flow information | | |
| Interest paid | 1,313,924 | 1,366,864 |

The accompanying notes are an integral part of these financial statements

Chippewas of Nawash Unceded First Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2017

1. Operations

The Chippewas of Nawash Unceded First Nation (the "First Nation") is located in the Province of Ontario, and provides various services to its members. Chippewas of Nawash Unceded First Nation includes the Band's members, government and all related entities that are accountable to the First Nation and are either owned or controlled by the First Nation.

2. Significant accounting policies

These financial statements are the representations of management, prepared in accordance with Canadian public sector accounting standards and include the following significant accounting policies:

Reporting entity

The financial statements consolidate the financial activities of all entities and departments comprising the First Nation reporting entity, and 50% of the operations of the Saugeen Ojibway Nation Finance Corporation ("SONFC"), an entity that is jointly owned under a nominee agreement. Trusts administered on behalf of third parties by Chippewas of Nawash Unceded First Nation are excluded from the First Nation reporting entity.

The First Nation has consolidated the assets, liabilities, revenues and expenditures of the following entities and departments:

- Chippewas of Nawash Unceded First Nation Revenue Fund
- Chippewas of Nawash Unceded First Nation Board of Education
- Chippewas of Nawash Unceded First Nation Capital Housing Program
- Saugeen Ojibway Nation Finance Corporation

All inter-entity balances have been eliminated on consolidation; however, transactions between departments have not been eliminated in order to present the results of operations for each specific department.

Basis of presentation

Sources of revenues and expenditures are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes available and measurable; expenditures are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

Cash and cash equivalents

Cash and cash equivalents include balances with banks and short term investments with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

Loans receivable

Loans receivable are recorded at cost less any valuation allowance. Valuation allowances are made when collection is in doubt as assessed by management. Loans are reviewed on an annual basis by management. Interest income is accrued on loans receivable to the extent it is deemed collectable.

Portfolio investments

Long-term investments in entities that are not owned, controlled or influenced by the First Nation reporting entity are accounted for using the cost method. They are recorded at cost, less any provision for other than temporary impairment.

Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the annual surplus, provides the change in net financial assets for the year.

Chippewas of Nawash Unceded First Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2017

2. Significant accounting policies (Continued from previous page)

Tangible capital assets

Tangible capital assets are initially recorded at cost based on historical cost accounting records. Contributed capital assets are recorded into revenues at their fair values on the date of donation, except in circumstances where fair value cannot be reasonably determined, in which case they are recognized at nominal value. Transfers of capital assets from related parties are recorded at carrying value.

Certain assets which have historical or cultural value, including works of art, historical documents and historical and cultural artifacts, are not recognized as tangible capital assets. Assets under construction are not amortized until the asset is available to be put into service.

Amortization

Social housing assets acquired under Canada Mortgage and Housing Corporation ("CMHC") sponsored programs are amortized over their estimated useful lives at a rate equivalent to the annual principal reduction in the related long-term debt. Amortization for other tangible capital assets is provided using the following methods at rates intended to amortize the cost of the assets over their estimated useful lives:

| | Method | Rate |
|----------------------------|---------------|----------------|
| Buildings and improvements | straight-line | 9 to 61 years |
| Machinery and equipment | straight-line | 5 to 20 years |
| Vehicles | straight-line | 10 to 20 years |
| Infrastructure | straight-line | 14 to 75 years |
| Software | straight-line | 5 to 10 years |

Long-lived assets

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

The First Nation 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. Impairment is 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 surplus for the year.

Funds held in Ottawa Trust Fund

Funds held in trust on behalf of First Nation members by the Government of Canada in the Ottawa Trust Fund are reported on the statement of financial position with an offsetting amount in accumulated surplus. Trust monies consist of:

- Capital trust monies derived from non-renewable resource transactions on the sale of land or other First Nation tangible capital assets; and
- Revenue trust monies generated primarily through land leasing transactions or interest earned on deposits held in trust.

Retirement benefits

The First Nation has a defined contribution pension plan covering substantially all full-time employees who have completed one year of service. There are no prior service costs. Contributions are discretionary, and are based on 4 - 11% of participants' contributions, matching up to a maximum of 7%. The First Nation follows the policy of funding retirement contributions as accrued.

Net financial assets

The First Nation's consolidated financial statements are presented so as to highlight net financial assets as the measurement of financial position. The net financial assets of the First Nation is determined by its financial assets less its liabilities. Net financial assets combined with non-financial assets comprise a second indicator of financial position, accumulated surplus.

Chippewas of Nawash Unceded First Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2017

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

Revenue recognition

Funding

Revenue is recognized as it becomes receivable under the terms of applicable funding agreements. Funding received under funding arrangements that relate to a subsequent fiscal period are reflected as deferred revenues on the consolidated statement of financial position in the year of receipt.

Government transfers

The First Nation recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the First Nation recognizes revenue as the liability is settled. Transfers of non-depreciable assets are recognized in revenues when received or receivable.

Externally restricted revenues

The First Nation recognizes externally restricted inflows as revenues in the period the resources are used for the purpose specified in accordance with an agreement or legislation. Until this time, the First Nation records externally restricted inflows in deferred revenue.

Ottawa Trust Fund revenues

Due to measurement uncertainty, revenues related to the receipt of funds held in the Ottawa Trust Fund is recognized when it is received.

Service and user fees

Revenues related to fees or services received in advance of the fee being earned or the service is performed is deferred and recognized when the fee is earned or service performed.

Other income

Other income is recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

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 disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period.

Accounts receivable and member loans are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of tangible capital assets. Payable to funding agencies is based on anticipated repayment requirements; however, actual repayments will be determined upon funding agencies review of the consolidated financial statements.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in surplus in the years in which they become known.

Chippewas of Nawash Unceded First Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2017

2. Significant accounting policies (Continued from previous page)

Segments

The First Nation is a diversified governmental institution that provides a wide range of services to its Band Members, including band support, health services, education and social assistance. For management reporting purposes, the First Nation's operations and activities are organized and reported by departments.

Services are provided by departments and their activities are reported in these departments. Certain departments that have been separately disclosed in the segmented information, along with the services they provide, as follows:

Band Support

The band support department oversees the delivery of all governmental services. The department is responsible for ensuring that there are adequate policies and procedures in place to safeguard assets and to properly report financial activities. In addition, this department includes the governance activities of Chief and Council and management and assistance for computer and communications related projects and services.

Health Services

The health services department provides a diverse bundle of services directed toward the well-being of the members of the First Nation including such activities as long-term care, health centres, diabetes, fetal alcohol syndrome, mental health, smoke-free programs, traditional healing, home care and training designed to enhance the health of the members.

Education

The education department provides education management services to the members of the First Nation as well as overseeing the operation of the local school and providing support to post secondary students.

Social Assistance

The social assistance department provides services under the Provincial Ontario Works Program including both active measures such as employment training and financial assistance components.

For each reported segment, revenues and expenditures include amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocations methodologies are employed in the preparation of segmented financial information, including transfers that have been apportioned based on a percentage of budgeted expenditures.

Financial instruments

The First Nation recognizes its financial instruments when the First Nation becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value.

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

With the exception of those instruments designated at fair value, all other financial instruments are subsequently measured at amortized cost or cost.

Transaction costs directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in surplus. Conversely, transaction costs are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

All financial assets except derivatives are tested annually for impairment. Any impairment, which is not considered temporary, is recorded in the statement of operations. Write-downs of financial assets measured at cost and/or amortized cost to reflect losses in value are not reversed for subsequent increases in value. Reversals of any net remeasurements of financial assets measured at fair value are reported in the statement of remeasurement gains and losses. There has not been a reversal of such remeasurement during the year and thus no separate statement is disclosed.

Chippewas of Nawash Unceded First Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2017

3. Cash and cash equivalents

| | 2017 | 2016 |
|------------------------|------------------|------------------|
| Cash | 8,306,212 | 5,984,722 |
| Short term investments | 586,797 | 579,970 |
| | 8,893,009 | 6,564,692 |

4. Restricted cash

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

As joint owner of Saugeen Ojibway Nation Finance Corporation, a credit agreement requires that on any given date, the First Nation must keep an amount in the reserve account equal to the next two quarterly blended payments of principal and interest.

| | 2017 | 2016 |
|--|------------------|------------------|
| Restricted cash - Senior's Apartment Complex Reserve | 108,894 | 87,987 |
| Restricted cash - Saugeen Ojibway Nation Finance Corporation | 1,357,589 | 1,357,593 |
| | 1,466,483 | 1,445,580 |

5. Accounts receivable

| | 2017 | 2016 |
|--|----------------|----------------|
| Aboriginal Labour Force Development Circle | 411,733 | - |
| Canadian Mortgage and Housing Corporation | 10,293 | 10,350 |
| Health Canada | 46,300 | 111,157 |
| Huron Area Aboriginal Management Board | 155,485 | - |
| Indigenous and Northern Affairs Canada | 40,926 | 55,602 |
| Ministry of Community and Social Services | 47,727 | 29,132 |
| Ministry of Natural Resources and Forestry | - | 240,000 |
| Ministry of Tourism, Culture and Sport | 36,000 | - |
| Other | - | 100 |
| Parks and Environment Canada | - | 180 |
| | 748,464 | 446,521 |

Chippewas of Nawash Unceded First Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2017

6. Housing loans receivable

Loans receivable consist of the following:

| | <i>Principal</i> | <i>Allowance</i> | 2017 Net recoverable value | 2016 Net recoverable value |
|---------------|------------------|--------------------|---|---|
| Housing loans | 2,912,208 | (1,145,000) | 1,767,208 | 1,853,347 |

During the year the First Nation advanced \$156,333 (2016 - \$73,130) of new housing loans to members.

Housing loans to members are non-interest bearing, secured by the related property and are repayable monthly in average aggregate repayments of \$23,463.

7. Funds held in trust

Capital and revenue trust monies are transferred to the First Nation on the authorization of the Minister of Indigenous and Northern Affairs Canada ("INAC"), with the consent of the First Nation's Chief and Council as follows:

| | 2017 | 2016 |
|------------------------------------|----------------|-------------|
| Capital Trust | | |
| Balance, beginning and end of year | 181,336 | 181,336 |
| Revenue Trust | | |
| Balance, beginning of year | 284,002 | 256,932 |
| Interest | 8,666 | 9,275 |
| Allocations | 21,166 | 17,795 |
| Balance, end of year | 313,834 | 284,002 |
| | 495,170 | 465,338 |

8. Portfolio investments

| | 2017 | 2016 |
|-----------------------|-------------------|-------------|
| Class A BMLP Interest | 25,000,000 | 25,000,000 |
| Class B BMLP Interest | 11,000,000 | 11,000,000 |
| | 36,000,000 | 36,000,000 |

On December 17, 2014 Saugeen Ojibway Nation Finance Corporation (a nominee corporation owned 50% by the First Nation) purchased 50,000,000 Class A Units and 22,000,000 Class B Units representing 34.19% interest of B2M Limited Partnership.

The partnership owns and operates a high voltage electrical transmission tower line between Kincardine and Milton, Ontario.

Chippewas of Nawash Unceded First Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2017

9. Line of credit

The First Nation has a line of credit with TD Commercial Banking with an authorized limit of \$300,000 (2016 - \$300,000) at prime plus 0.5%. At March 31, 2017, there was \$Nil (2016 - \$Nil) outstanding on this loan.

The Cape Croker Park has a separate line of credit with TD Commercial Banking with an authorized limit of \$50,000 (2016 - \$50,000) at prime plus 0.5%. At March 31, 2017, there was \$Nil (2016 - \$Nil) outstanding on this line of credit.

Both lines of credit are secured by a General Security Agreement on all property and an accompanying borrowing resolution.

10. Accounts payable and accruals

| | 2017 | 2016 |
|---------------------------------------|------------------|------------------|
| Trade payables | 2,664,332 | 2,603,623 |
| Tenant deposits | 3,450 | 2,950 |
| Accrued salaries and benefits payable | 146,280 | 309,939 |
| Government remittances payable | 25,815 | 10,132 |
| | 2,839,877 | 2,926,644 |

11. Deferred revenue

The following table represents changes in the deferred revenue balance attributable to each major category of external restrictions:

| | <i>Balance, beginning of year</i> | <i>Contributions received</i> | <i>Contributions recognized</i> | <i>Balance, end of year</i> |
|--|---|-----------------------------------|-------------------------------------|---------------------------------|
| Aboriginal Labour Force Development Circle | - | 80,501 | - | 80,501 |
| Coldwater Narrows | 920,520 | 1,146,414 | 920,520 | 1,146,414 |
| Health Canada | 37,971 | 20,736 | 37,971 | 20,736 |
| Huron Area Aboriginal Management Board | - | 119,056 | - | 119,056 |
| Indigenous and Northern Affairs Canada | 368,258 | 639,083 | 368,258 | 639,083 |
| Indigenous Relations and Reconciliation | - | 25,604 | - | 25,604 |
| Ministry of Community and Social Services | 90,569 | 152,167 | 90,569 | 152,167 |
| Ministry of Education and Training | 57,786 | 55,143 | 57,786 | 55,143 |
| Ministry of Health | 25,921 | 53,479 | 25,921 | 53,479 |
| Ministry of Natural Resources | 120,581 | 153,521 | 120,581 | 153,521 |
| Miscellaneous | 518,587 | 777,660 | 518,587 | 777,660 |
| OFNLP funds | 283,912 | 515,622 | 283,912 | 515,622 |
| SON projects | 657,897 | 1,098,996 | 657,897 | 1,098,996 |
| SONFC | 941,323 | - | 941,323 | - |
| | 4,023,325 | 4,837,982 | 4,023,325 | 4,837,982 |

Chippewas of Nawash Unceded First Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2017

12. Long-term debt

| | 2017 | 2016 |
|--|-------------------|------------|
| CMHC mortgage, phase 2 rental housing to be repaid over 25 years with interest at 0.94% and monthly blended payments of \$2,601, a renewal date of September 1, 2020, due 2035. | 525,600 | 551,764 |
| CMHC mortgage, phase 3 rental housing to be repaid over 25 years with interest at 1.44% (2016 - 1.64%) and blended monthly payments of \$2,990 (2016 - \$3,047), a renewal date of February 1, 2022, due 2037. | 621,116 | 647,357 |
| CMHC term loan, Senior Apartment Complex to be repaid over 25 years with interest at 1.82% and monthly blended payments of \$5,278, a renewal date of September 1, 2019, due 2029. | 703,591 | 753,698 |
| Tranche A Loan, interest at 3.825%, payable in blended quarterly payments of \$393,540, due November 2039 | 23,844,539 | 24,491,111 |
| Tranche B Loan, interest at 3.152%, payable in blended quarterly payments of \$266,770, due November 2029 | 11,166,545 | 11,867,501 |
| Tecumseh Development Corporation term loan, repaid during the year | - | 4,266 |
| | 36,861,391 | 38,315,697 |
| Less: current portion | 1,499,593 | 2,075,457 |
| | 35,361,798 | 36,240,240 |

Principal repayments on long-term debt in each of the next five years, assuming all long-term debt subject to contractual terms of repayment, are estimated as follows:

| | |
|------|-----------|
| 2018 | 1,499,593 |
| 2019 | 1,550,314 |
| 2020 | 2,150,550 |
| 2021 | 2,021,792 |
| 2022 | 2,112,570 |

Interest on long-term debt amounted to \$1,313,924 (2016 - \$1,366,864).

CMHC mortgages payable are secured by various properties and guarantees by INAC.

The First Nation liability under the Tranche A and B loans is limited to its beneficial interest in the B2M Limited Partnership which is held by the Saugeen Ojibway Nation Finance Corporation on behalf of the First Nation and the sole recourse of the lender in the event of default under the loan is limited to the B2M Limited Partnership interest and the property related thereto that has been pledged by the Saugeen Ojibway Nation Finance Corporation as security for the loan and the First Nation has no other payment obligations under this loan.

Chippewas of Nawash Unceded First Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2017

13. Contingencies

The First Nation has entered into contribution agreements with various federal government departments. Funding received under these contribution agreements is subject to repayment if the First Nation fails to comply with the terms and conditions of the agreements.

In addition, in the normal course of operations, the First Nation becomes involved in legal actions. Some of these potential liabilities may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expenditure recorded on the First Nation's consolidated financial statements.

14. Tangible capital assets

The tangible capital assets reconciliation is included in Schedule 1.

15. Accumulated surplus

Accumulated surplus consists of the following:

| | 2017 | 2016 |
|--|-------------------|-------------------|
| Equity in tangible capital assets | 16,694,257 | 16,432,553 |
| Equity in housing loans | 1,767,208 | 1,853,347 |
| Equity in Saugeen Ojibway Nation Finance Corporation | 3,613,866 | 1,949,401 |
| Accumulated surplus | 951,925 | 761,825 |
| Funds held in trust | 495,170 | 465,338 |
| Operating/replacement reserves CMHC projects | 97,461 | 76,554 |
| Saugeen Ojibway Nation Finance Corporation reserve | 2,223,470 | 941,323 |
| | 25,843,357 | 22,480,341 |

16. Replacement reserve

Under agreements with Canada Mortgage and Housing Corporation ("CMHC") the First Nation established the following:

- A replacement reserve, established by an annual allocation of \$22,200 (2016 - \$22,200), to ensure replacement of buildings financed by CMHC. As at March 31, 2017, \$97,461 (2016 - \$76,554) was required to be set aside to fund this reserve. The actual amount set aside as at March 31, 2017 was \$99,131 (2016 - \$78,427).
- A subsidy surplus reserve was established by retaining excess federal assistance payments received, plus interest. Reserve funds may be used to meet future subsidy requirements of income test occupants, over and above the maximum federal assistance. At March 31, 2017, \$Nil (2016 - \$Nil) was required to be set aside to fund this reserve. The actual amount set aside as at March 31, 2017 was \$9,763 (2016 - \$9,560).

In accordance with terms of the agreements, CMHC reserve moneys must be held or invested only in accounts or instruments guaranteed by the Canada Deposit Insurance Corporation, or as otherwise approved by CMHC. Reserve withdrawals are credited first to interest and then to principal.

Chippewas of Nawash Unceded First Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2017

17. Government transfers

During the year, the First Nation recognized the following government transfers:

| | 2017 | 2016 |
|---|-------------------|-------------------|
| Indigenous and Northern Affairs Canada | 5,589,311 | 5,168,169 |
| Health Canada | 1,057,608 | 1,076,159 |
| Canada Mortgage and Housing Corporation | 124,088 | 126,722 |
| Parks Canada | 12,914 | 103,433 |
| Environment Canada | 46,300 | 46,300 |
| Provincial government transfers | 3,948,268 | 3,755,283 |
| | 10,778,489 | 10,276,066 |

18. Defined contribution pension plan

The First Nation provides a defined contribution plan for eligible members of its staff. Members are required to contribute minimum of 4% of their salary up to a maximum of 11% of their basic salary. The First Nation contributes a matching contribution of up to 7% which are directed to the member's contribution account. The amount of retirement benefit to be received by the employees will be the amount of retirement annuity that could be purchased based on the member's share of the pension plan at the time of the member's withdrawal from the plan. During the year, the First Nation contributed \$113,062 (2016 - \$101,492) for retirement benefits. The First Nation does not have any other obligations with regards to the pension plan as at March 31, 2017.

19. Ontario First Nations Limited Partnership

Commencing with the 2012 fiscal year and in each fiscal year thereafter during the initial and renewal terms of the agreement between the Province of Ontario and Ontario First Nations Limited Partnership ("OFNLP"), the Province of Ontario shall pay to OFNLP twelve monthly payments equal to one-twelfth of 1.7% of the aggregate provincial gross gaming revenues. OFNLP then distributes to the First Nation its share of these revenues according to a formula used for that purpose. The use of these funds, according to agreements, is restricted to community development, health, education, cultural development and economic development.

The First Nation holds one unit in the Ontario First Nations Limited Partnership and a share in a related company Ontario First Nations General Partner Inc. – the carrying values of which are nominal and are therefore not recorded in these consolidated financial statements.

20. Budget information

The disclosed budget information has been approved by the Chief and Council of the Chippewas of Nawash Unceded First Nation at the meeting held on April 6, 2016.

21. Economic dependence

Chippewas of Nawash Unceded First Nation receives a significant portion of its revenues from INAC as a result of Treaties entered into with the Government of Canada. These treaties are administered by INAC under the terms and conditions of the Indian Act. The ability of the First Nation to continue operations is dependent upon the Government of Canada's continued financial commitments as guaranteed by these treaties.

Chippewas of Nawash Unceded First Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2017

22. Saugeen Ojibway Nation Finance Corporation

The Chippewas of Nawash Unceded First Nation holds an investment of 50 common shares of SONFC, which represents a 50% ownership interest. As required by the nominee agreement, the proportion of SONFC's operations owned by the First Nation is required to be consolidated in these financial statements. SONFC has an audited December 31st year end, with a quarterly review done each quarter.

| | 2017 | 2016 |
|---------------------------------------|--------------|--------------|
| Cash | 1,697,366 | 1,357,718 |
| Accounts receivable | 1,217,528 | 1,315,946 |
| Portfolio investment | 36,000,000 | 36,000,000 |
| Accounts payable and accrued charges | (289,944) | (365,650) |
| Long term debt | (35,011,084) | (36,358,613) |
| Accumulated surplus | 3,613,866 | 1,949,401 |
| Total revenues | (3,470,921) | (3,947,240) |
| Total expenditures | 1,315,074 | 1,506,495 |
| Surplus before community distribution | (2,155,847) | (2,440,745) |
| Community distribution | 491,382 | 941,323 |
| Surplus for the year | (1,664,465) | (1,499,422) |

23. Financial Instruments

Financial instruments consist of recorded amounts of accounts receivable and other like amounts that will result in future cash receipts, as well as accounts payable and accrued liabilities, borrowings and other amounts that will result in future cash outlays.

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

(i) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

The interest rate risk reflects the sensitivity of the First Nation's consolidated annual surplus that arise from fluctuations in interest rates and the degree of volatility in these rates. The First Nation does not use derivative financial instruments to reduce its exposure to interest rate risk.

The First Nation is exposed to interest rate risk through its bank indebtedness which is subject to variable rates of interest. During the year, the First Nation's exposure to interest rate risk decreased as its bank indebtedness balance remained at \$Nil and its long-term debt balance decreased. The First Nation's exposure to interest rate risk is partially mitigated as its long-term debt is at fixed interest rates.

(ii) Credit risk

Credit risk is the risk of financial loss because a counter party to a financial instrument fails to discharge its contractual obligations.

The First Nation is exposed to credit risk through its housing loans receivable. The carrying amount of the Nation's housing loans receivable best represents the maximum exposure to credit risk.

Chippewas of Nawash Unceded First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2017

24. Comparative figures

Certain comparative figures have been reclassified to conform with current year's presentation.

**Chippewas of Nawash
Unceded First Nation**
Notes to the Consolidated Financial Statements

For the year ended March 31, 2017

25. Segment disclosure and expenditures by object

| | General/Band Support \$ | Health \$ | Education \$ | Social Assistance \$ | 2017 Consolidated Total \$ |
|--|-------------------------------|--------------|-----------------|----------------------------|-------------------------------------|
| REVENUES: | | | | | |
| Indigenous and Northern Affairs Canada | 2,337,362 | 45,000 | 3,001,849 | 205,100 | 5,589,311 |
| Health Canada | - | 1,057,608 | - | - | 1,057,608 |
| Parks Canada | 12,914 | - | - | - | 12,914 |
| Environment Canada | 46,300 | - | - | - | 46,300 |
| Canada Mortgage and Housing Corporation | 124,088 | - | - | - | 124,088 |
| Province of Ontario | 2,273,183 | 574,172 | - | 1,100,913 | 3,948,268 |
| Band and other revenues | 10,132,677 | 294,291 | 273,575 | 21,728 | 10,722,271 |
| Add: Previous year deferred revenue | 3,330,818 | 359,508 | 273,469 | 59,531 | 4,023,326 |
| Less: current year deferred revenue | (4,316,468) | (87,165) | (307,360) | (126,989) | (4,837,982) |
| Recovery of deficit (repayment of funding) | (49,453) | (66,466) | 16,960 | (19,973) | (118,932) |
| | 13,891,421 | 2,176,948 | 3,258,493 | 1,240,310 | 20,567,172 |
| EXPENDITURES: | | | | | |
| Administration fee recovery | (333,494) | - | - | - | (333,494) |
| Salaries and benefits | 3,349,134 | 849,347 | 991,762 | 226,670 | 5,416,913 |
| Materials, supplies, subcontracts | 1,840,198 | 382,702 | 81,104 | 20,600 | 2,324,604 |
| Professional fees | 1,266,383 | 8,256 | 4,390 | 1,600 | 1,280,629 |
| Interest on long-term debt | 1,313,924 | - | - | - | 1,313,924 |
| Provincial school tuition | - | - | 425,860 | - | 425,860 |
| Post-secondary support | - | - | 1,159,497 | - | 1,159,497 |
| Assistance payments | - | - | - | 696,749 | 696,749 |
| Employment support and training | - | - | - | 120,479 | 120,479 |
| Other | 4,530,030 | 289,109 | 610,286 | 233,308 | 5,662,733 |
| Investment in tangible capital assets | (856,871) | - | (6,867) | - | (863,738) |
| | 11,109,304 | 1,529,414 | 3,266,032 | 1,299,406 | 17,204,156 |
| Surplus (deficit) | 2,782,117 | 647,534 | (7,539) | (59,096) | 3,363,016 |
| | | | | | |
| | General/Band Support \$ | Health \$ | Education \$ | Social Assistance \$ | 2016 Consolidated Total \$ |
| REVENUES: | | | | | |
| Indigenous and Northern Affairs Canada | 1,963,115 | 45,129 | 2,962,525 | 197,400 | 5,168,169 |
| Health Canada | - | 1,076,159 | - | - | 1,076,159 |
| Parks Canada | 103,433 | - | - | - | 103,433 |
| Environment Canada | 46,300 | - | - | - | 46,300 |
| Canada Mortgage and Housing Corporation | 126,722 | - | - | - | 126,722 |
| Province of Ontario | 2,086,677 | 596,293 | - | 1,072,313 | 3,755,283 |
| Band and other revenues | 9,558,367 | 225,501 | 355,088 | 30,020 | 10,168,976 |
| Add: Previous year deferred revenue | 2,082,897 | 144,377 | - | 39,187 | 2,266,461 |
| Less: current year deferred revenue | (3,330,817) | (359,508) | (273,469) | (59,531) | (4,023,325) |
| Government recovery of surplus | (75,505) | (52,736) | (96,415) | (37,173) | (261,829) |
| | 12,561,189 | 1,675,215 | 2,947,729 | 1,242,216 | 18,426,349 |
| EXPENDITURES: | | | | | |
| Administration fee recovery | (355,536) | - | - | - | (355,536) |
| Salaries and benefits | 2,757,610 | 851,916 | 885,496 | 210,692 | 4,705,714 |
| Materials, supplies, subcontracts | 2,164,185 | 390,318 | 35,026 | 19,920 | 2,609,449 |
| Professional fees | 1,670,466 | 4,201 | 5,820 | 1,200 | 1,681,687 |
| Interest on long-term debt | 1,366,864 | - | - | - | 1,366,864 |
| Provincial school tuition | - | - | 417,543 | - | 417,543 |
| Post-secondary support | - | - | 1,061,569 | - | 1,061,569 |
| Assistance payments | - | - | - | 669,601 | 669,601 |
| Employment support and training | - | - | - | 128,908 | 128,908 |
| Other | 4,399,237 | 269,375 | 546,687 | 218,574 | 5,433,873 |
| Investment in tangible capital assets | (1,025,556) | - | - | - | (1,025,556) |
| | 10,977,270 | 1,515,810 | 2,952,141 | 1,248,895 | 16,694,116 |
| Surplus (deficit) | 1,583,919 | 159,405 | (4,412) | (6,679) | 1,732,233 |

Chippewas of Nawash Unceded First Nation
Schedule 1 - Consolidated Schedule of Tangible Capital Assets

For the year ended March 31, 2017

| | <i>Buildings and improvements</i> | <i>Machinery and equipment</i> | <i>Vehicles</i> | <i>Infrastructure</i> | <i>Software</i> | <i>2017</i> | <i>2016</i> |
|--|---------------------------------------|------------------------------------|------------------|-----------------------|-----------------|-------------------|-------------------|
| Cost | | | | | | | |
| Balance, beginning of year | 16,267,157 | 1,622,071 | 1,951,529 | 2,652,121 | 316,847 | 22,809,725 | 21,885,735 |
| Acquisition of tangible capital assets | - | 213,790 | 55,004 | 223,261 | - | 492,055 | 1,025,556 |
| Assets under construction | - | - | - | 371,683 | - | 371,683 | - |
| Disposal of tangible capital assets | - | (41,000) | - | - | - | (41,000) | (101,566) |
| Balance, end of year | 16,267,157 | 1,794,861 | 2,006,533 | 3,247,065 | 316,847 | 23,632,463 | 22,809,725 |
| Accumulated amortization | | | | | | | |
| Balance, beginning of year | 2,201,568 | 776,667 | 791,765 | 578,253 | 71,834 | 4,420,087 | 3,855,193 |
| Annual amortization | 353,062 | 120,249 | 137,958 | 89,328 | 8,215 | 708,812 | 666,460 |
| Accumulated amortization on disposals | - | (41,000) | - | - | - | (41,000) | (101,566) |
| Balance, end of year | 2,554,630 | 855,916 | 929,723 | 667,581 | 80,049 | 5,087,899 | 4,420,087 |
| Net book value of tangible capital assets | 13,712,527 | 938,945 | 1,076,810 | 2,579,484 | 236,798 | 18,544,564 | 18,389,638 |
| 2016 Net book value of tangible capital assets | 14,065,589 | 845,404 | 1,159,764 | 2,073,868 | 245,013 | 18,389,638 | |