

**Chippewas of Nawash Unceded
First Nation
Consolidated Financial Statements**
March 31, 2018

Chippewas of Nawash Unceded First Nation

Contents

For the year ended March 31, 2018

	Page
Management's Responsibility	
Independent Auditors' Report	
Consolidated Financial Statements	
Consolidated Statement of Financial Position.....	1
Consolidated Statement of Operations and Accumulated Surplus.....	2
Consolidated Statement of Change in Net Financial Assets.....	3
Consolidated Statement of Cash Flows.....	4
Notes to the Consolidated Financial Statements.....	5

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 14, 2018

Originals signed by:

Jocelyn Keeshig

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, 2018, and the consolidated statements of operations and accumulated surplus, change 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, 2018 and the results of its operations, change in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Cambridge, Ontario

August 14, 2018

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

MNP

Chippewas of Nawash Unceded First Nation

Consolidated Statement of Financial Position

As at March 31, 2018

	2018	2017
Financial assets		
Cash and cash equivalents (Note 4)	18,308,743	8,893,009
Restricted cash (Note 5)	1,486,261	1,466,483
Accounts receivable (Note 6)	929,185	748,464
Housing loans receivable (Note 7)	1,677,538	1,767,208
Other accounts receivable	2,029,351	2,540,951
Funds held in trust (Note 8)	527,302	495,170
Portfolio investments (Note 9)	36,000,000	36,000,000
Total of financial assets	60,958,380	51,911,285
Liabilities		
Accounts payable and accruals (Note 11)	2,415,326	2,839,877
Deferred revenue (Note 12)	5,243,284	4,837,982
Payable to funding agency	271,570	169,688
Long-term debt (Note 13)	35,361,927	36,861,391
Total of liabilities	43,292,107	44,708,938
Net financial assets	17,666,273	7,202,347
Contingencies and claims (Note 14)		
Non-financial assets		
Tangible capital assets (Note 15) (Schedule 1)	19,061,120	18,544,564
Prepays	120,196	96,446
Total non-financial assets	19,181,316	18,641,010
Accumulated surplus (Note 16)	36,847,589	25,843,357
Approved on behalf of the First Nation		
Originals signed by:		
Gregory Nadiwon	Chief	Councillor
John Bernard Keeshig	Councillor	Councillor
Sidney Nadiwon	Councillor	Councillor
Peggy Mansur	Councillor	Councillor
Anthony Chegahno	Councillor	Councillor

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, 2018

	2018 Budget (Note 21)	2018	2017
Revenues			
Federal government			
Indigeneous and Northern Affairs Canada	8,827,849	6,312,357	5,589,311
Health Canada	1,137,903	1,119,013	1,057,608
Canadian Mortgage and Housing Corporation	-	223,466	124,088
Other federal government funding	46,300	46,300	59,214
Provincial government	2,669,602	4,456,761	3,948,268
Ontario First Nations Limited Partnership funds	581,584	1,297,981	1,281,188
Saugeen Ojibway Nation projects	-	1,755,105	2,179,033
Other	2,455,301	3,173,464	3,740,391
Saugeen Ojibway Nation Finance Corporation investment income	-	3,719,296	3,470,921
Hope Bay settlement funds	-	8,000,000	-
Deferred revenue - prior year (Note 12)	4,837,982	4,837,982	4,023,325
Deferred revenue - current year (Note 12)	-	(5,243,284)	(4,837,982)
Repayment of funding	-	(114,827)	(118,932)
	20,556,521	29,583,614	20,516,433
Expenditures (Note 26)			
Administration fee recovery	(170,000)	(339,552)	(333,494)
Amortization	-	786,360	708,812
Band government	1,244,387	2,430,451	1,946,111
Community services	2,424,356	2,388,158	1,956,860
Economic development	746,315	938,321	836,614
Education	3,664,306	3,300,570	3,256,814
Employment programs	-	262,119	283,150
Health	2,089,378	2,195,370	1,948,373
Housing	282,836	441,860	254,579
Land claims	-	545,529	413,334
Public works	5,016,388	1,230,285	1,217,697
Saugeen Ojibway Nation Finance Corporation expenditures	-	1,217,186	1,315,074
Saugeen Ojibway Nation projects	-	2,079,561	2,101,357
Social services	-	1,155,074	1,298,875
	15,297,966	18,631,292	17,204,156
Surplus before other items	5,258,555	10,952,322	3,312,277
Other income			
Change in Canadian Mortgage and Housing Corporation reserves	-	19,778	20,907
Change in trust accounts	-	32,132	29,832
	-	51,910	50,739
Surplus	5,258,555	11,004,232	3,363,016
Accumulated surplus, beginning of year	25,843,357	25,843,357	22,480,341
Accumulated surplus, end of year	31,101,912	36,847,589	25,843,357

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, 2018

	2018 Budget (Note 21)	2018	2017
Annual surplus	5,258,555	11,004,232	3,363,016
Purchases of tangible capital assets	-	(1,302,916)	(863,738)
Amortization of tangible capital assets	-	786,360	708,812
Change in prepaid expenditures	-	(23,750)	-
Increase in net financial assets	5,258,555	10,463,926	3,208,090
Net financial assets, beginning of year	7,202,347	7,202,347	3,994,257
Net financial assets, end of year	12,460,902	17,666,273	7,202,347

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, 2018

	2018	2017
Cash provided by (used for) the following activities		
Operating activities		
Surplus	11,004,232	3,363,016
Non-cash items		
Amortization	786,360	708,812
Decrease in allowance for doubtful loans	(9,000)	(26,000)
Discounts on housing loans	15,877	15,725
	11,797,469	4,061,553
Changes in working capital accounts		
Accounts receivable	(180,721)	(301,943)
Other accounts receivable	511,600	132,863
Accounts payable and accruals	(424,551)	(86,767)
Deferred revenue	405,302	814,657
Payable to funding agency	101,882	(19,681)
Prepays	(23,750)	-
	12,187,231	4,600,682
Financing activities		
Repayments of long-term debt	(1,499,464)	(1,454,306)
Capital activities		
Purchases of tangible capital assets	(1,302,916)	(863,738)
Investing activities		
Net change in restricted cash	(19,778)	(20,903)
Change in funds held in trust	(32,132)	(29,832)
Advances of housing and emergency loans	(132,693)	(156,333)
Repayment of housing and emergency loans	215,486	252,747
	30,883	45,679
Increase in cash resources	9,415,734	2,328,317
Cash resources, beginning of year	8,893,009	6,564,692
Cash resources, end of year	18,308,743	8,893,009
Supplementary cash flow information		
Interest paid	1,262,863	1,313,924

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, 2018

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. Change in accounting policies

Effective April 1, 2017, the First Nation adopted the recommendations relating to the following sections, as set out in the CPA Canada Public Sector Accounting Handbook:

- PS 2200 Related Party Disclosures
- PS 3420 Inter-entity Transactions
- PS 3210 Assets
- PS 3320 Contingent Assets
- PS 3380 Contractual Rights

Pursuant to the recommendations, the changes were applied prospectively, and prior periods have not been restated. There was no material impact on the consolidated financial statements of adopting the new sections.

3. 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.

Chippewas of Nawash Unceded First Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2018

3. Significant accounting policies (Continued from previous page)

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.

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 moneys 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.

Chippewas of Nawash Unceded First Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2018

3. Significant accounting policies (Continued from previous page)

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' salary, 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.

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.

Chippewas of Nawash Unceded First Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2018

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

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.

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.

Chippewas of Nawash Unceded First Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2018

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

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 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.

4. Cash and cash equivalents

	2018	2017
Cash	9,658,658	8,306,212
Short term investments	8,650,085	586,797
	18,308,743	8,893,009

5. 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.

	2018	2017
Restricted cash - Senior's Apartment Complex Reserve	128,672	108,894
Restricted cash - Saugeen Ojibway Nation Finance Corporation	2,162,589	1,357,589
	2,291,261	1,466,483

Chippewas of Nawash Unceded First Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2018

6. Accounts receivable

	2018	2017
Aboriginal Labour Force Development Circle	307,745	411,733
Canadian Mortgage and Housing Corporation	10,293	10,293
Coldwater Narrows	191,775	-
Environment Canada	46,300	46,300
Huron Area Aboriginal Management Board	96,389	155,485
Indigenous and Northern Affairs Canada	169,901	40,926
Ministry of Children, Community and Social Services	56,487	47,727
Ministry of Education	50,295	-
Ministry of Tourism, Culture and Sport	-	36,000
	929,185	748,464

7. Housing loans receivable

Loans receivable consist of the following:

	<i>Principal</i>	<i>Allowance</i>	2018 <i>Net recoverable value</i>	2017 <i>Net recoverable value</i>
Housing loans	2,813,538	(1,136,000)	1,677,538	1,767,208

During the year the First Nation advanced \$132,693 (2017 - \$156,333) 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 \$21,986.

8. 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:

	2018	2017
Capital Trust		
Balance, beginning and end of year	181,336	181,336
Revenue Trust		
Balance, beginning of year	313,834	284,002
Interest	10,584	8,666
Allocations	21,548	21,166
Balance, end of year	345,966	313,834
	527,302	495,170

Chippewas of Nawash Unceded First Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2018

9. Portfolio investments

	2018	2017
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.

10. Line of credit

The First Nation has a line of credit with TD Commercial Banking with an authorized limit of \$300,000 (2017 - \$300,000) at prime plus 0.5%. At March 31, 2018, there was \$Nil (2017 - \$Nil) outstanding on this line of credit.

The Cape Croker Park has a separate line of credit with TD Commercial Banking with an authorized limit of \$50,000 (2017 - \$50,000) at prime plus 0.5%. At March 31, 2018, there was \$Nil (2017 - \$Nil) outstanding on this line of credit.

The Cape Croker Park has entered into a commitment with the Bank of Montreal for the purposes of a \$505,000 non-revolving demand credit facility at prime plus 0.45%. At March 31, 2018, this credit facility was not utilized.

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

11. Accounts payable and accruals

	2018	2017
Trade payables	2,162,687	2,664,332
Tenant deposits	3,826	3,450
Accrued salaries and benefits payable	217,452	146,280
Government remittances payable	31,361	25,815
	2,415,326	2,839,877

Chippewas of Nawash Unceded First Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2018

12. 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	120,136	80,501	120,136
Coldwater Narrows	1,146,414	789,580	1,146,414	789,580
FedDev Ontario	-	101,862	-	101,862
Health Canada	20,736	10,337	20,736	10,337
Huron Area Aboriginal Management Board	119,056	-	119,056	-
Indigenous and Northern Affairs Canada	639,083	1,153,908	639,083	1,153,908
Indigenous Relations and Reconciliation	25,604	19,576	25,604	19,576
Ministry of Children, Community and Social Services	152,167	304,422	152,167	304,422
Ministry of Education	55,143	30,402	55,143	30,402
Ministry of Health	53,479	53,446	53,479	53,446
Ministry of Natural Resources and Forestry	153,521	183,070	153,521	183,070
Miscellaneous	777,660	879,035	777,660	879,035
Ontario First Nation Limited Partnership funds	515,622	372,649	515,622	372,649
Saugeen Ojibway Nation projects	1,098,996	1,224,861	1,098,996	1,224,861
	4,837,982	5,243,284	4,837,982	5,243,284

13. Long-term debt

	<i>2018</i>	<i>2017</i>
CMHC mortgage, phase 1 rental housing 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.	652,599	703,591
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.	499,200	525,600
CMHC mortgage, phase 3 rental housing to be repaid over 25 years with interest at 1.44% and blended monthly payments of \$2,990, a renewal date of February 1, 2022, due 2037.	593,978	621,116
Tranche A Loan, interest at 3.825%, payable in blended quarterly payments of \$393,540, due November 2039	23,172,878	23,844,539
Tranche B Loan, interest at 3.152%, payable in blended quarterly payments of \$266,770, due November 2029	10,443,272	11,166,545
	35,361,927	36,861,391
Less: current portion	1,550,314	1,499,593
	33,811,613	35,361,798

Chippewas of Nawash Unceded First Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2018

13. Long-term debt *(Continued from previous page)*

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:

2019	1,550,314
2020	2,150,550
2021	2,021,792
2022	2,112,587
2023	1,658,909

Interest on long-term debt amounted to \$1,262,863 (2017 - \$1,313,924).

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. 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.

14. Contingencies and claims

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.

The First Nation, along with the Chippewas of Saugeen, has sought legal representation to pursue a claim against Her Majesty with respect to the Indian Aboriginal Rights to 1.5 million acres of land, allegedly improperly surrendered in 1836 and to pursue claims against Her Majesty arising from the potentially improper administration and sale of lands surrendered in 1854 on the Bruce Peninsula, and of funds from the sale.

15. Tangible capital assets

The tangible capital assets reconciliation is included in Schedule 1.

16. Accumulated surplus

Accumulated surplus consists of the following:

	2018	2017
Accumulated surplus	1,458,717	951,925
Equity in housing loans	1,677,538	1,767,208
Equity in Saugeen Ojibway Nation Finance Corporation (Note 23)	5,064,709	3,613,866
Equity in tangible capital assets	17,315,343	16,694,257
Funds held in trust	527,302	495,170
Hope Bay Settlement funds	7,991,555	-
Operating/replacement reserves CMHC projects	117,725	97,461
Saugeen Ojibway Nation Finance Corporation reserve	2,694,700	2,223,470
	36,847,589	25,843,357

Chippewas of Nawash Unceded First Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2018

17. 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 (2017 - \$22,200), to ensure replacement of buildings financed by CMHC. As at March 31, 2018, \$117,725 (2017 - \$97,461) was required to be set aside to fund this reserve. The actual amount set aside as at March 31, 2018 was \$118,826 (2017 - \$99,131).
- 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, 2018, \$Nil (2017 - \$Nil) was required to fund this reserve. The actual amount set aside as at March 31, 2018 was \$9,846 (2017 - \$9,763).

In accordance with terms of the agreements, CMHC reserve monies 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.

18. Government transfers

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

	2018	2017
Indigenous and Northern Affairs Canada	6,312,357	5,589,311
Health Canada	1,119,013	1,057,608
Canada Mortgage and Housing Corporation	223,466	124,088
Environment Canada	46,300	46,300
Provincial government transfers	4,456,761	3,948,268
Parks Canada	-	12,914
	12,157,897	10,778,489

19. 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 \$120,925 (2017 - \$113,062) for retirement benefits. The First Nation does not have any other obligations with regards to the pension plan as at March 31, 2018.

20. 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.

Chippewas of Nawash Unceded First Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2018

21. 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 May 4, 2017.

22. 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.

23. 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.

	2018	2017
Cash	2,116,573	1,697,366
Accounts receivable	750,000	1,217,528
Prepaid expenditures	23,750	-
Portfolio investment	36,000,000	36,000,000
Accounts payable and accrued charges	(209,464)	(289,944)
Long term debt	(33,616,150)	(35,011,084)
Accumulated surplus	5,064,709	3,613,866
Total revenues	(3,719,296)	(3,470,921)
Total expenditures	1,217,186	1,315,074
Surplus before community distribution	(2,502,110)	(2,155,847)
Community distribution	1,051,267	491,382
Surplus for the year	(1,450,843)	(1,664,465)

Chippewas of Nawash Unceded First Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2018

24. 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 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.

25. 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, 2018

26. Segment disclosure and expenditures by object

	General/Band Support \$	Health \$	Education \$	Social Assistance \$	2018 Consolidated Total \$
REVENUES:					
Indigenous and Northern Affairs Canada	2,686,896	45,000	3,250,399	330,062	6,312,357
Health Canada	-	1,119,013	-	-	1,119,013
Parks Canada	-	-	-	-	-
Environment Canada	46,300	-	-	-	46,300
Canada Mortgage and Housing Corporation	223,466	-	-	-	223,466
Province of Ontario	2,875,628	528,572	-	1,052,561	4,456,761
Band and other revenues	17,121,336	329,234	463,812	31,464	17,945,846
Add: Previous year deferred revenue	4,316,468	87,165	307,360	126,989	4,837,982
Less: current year deferred revenue	(3,973,652)	(429,614)	(564,901)	(275,117)	(5,243,284)
Repayment of funding	-	(12,944)	(101,883)	-	(114,827)
	23,296,442	1,666,426	3,354,787	1,265,959	29,583,614
EXPENDITURES:					
Administration fee recovery	(339,552)	-	-	-	(339,552)
Salaries and benefits	4,043,170	868,253	924,745	225,926	6,062,094
Materials, supplies, subcontracts	2,826,588	210,149	66,933	10,779	3,114,449
Professional fees	1,273,711	14,531	6,522	1,600	1,296,364
Interest on long-term debt	1,262,863	-	-	-	1,262,863
Provincial school tuition	-	-	363,917	-	363,917
Post-secondary support	-	-	1,263,747	-	1,263,747
Assistance payments	-	-	-	628,426	628,426
Employment support and training	-	-	-	67,741	67,741
Other	4,549,421	427,223	681,835	216,128	5,874,607
Investment in tangible capital assets	(1,302,916)	-	-	-	(1,302,916)
	12,652,837	1,520,156	3,307,699	1,150,600	18,631,292
Surplus	10,643,605	146,270	47,088	115,359	10,952,322

	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	10,081,938	294,291	273,575	21,728	10,671,532
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)
	13,840,682	2,176,948	3,258,493	1,240,310	20,516,433
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)	2,731,378	647,534	(7,539)	(59,096)	3,312,277

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

For the year ended March 31, 2018

	<i>Buildings and improvements</i>	<i>Machinery and equipment</i>	<i>Vehicles</i>	<i>Infrastructure</i>	<i>Software</i>	<i>2018</i>	<i>2017</i>
Cost							
Balance, beginning of year	16,267,157	1,794,861	2,006,533	3,247,065	316,847	23,632,463	22,809,725
Acquisition of tangible capital assets	310,600	256,171	93,609	642,536	-	1,302,916	492,055
Assets under construction	-	-	-	-	-	-	371,683
Disposal of tangible capital assets	-	-	-	-	-	-	(41,000)
Balance, end of year	16,577,757	2,051,032	2,100,142	3,889,601	316,847	24,935,379	23,632,463
Accumulated amortization							
Balance, beginning of year	2,554,630	855,916	929,723	667,581	80,049	5,087,899	4,420,087
Annual amortization	365,740	138,353	136,932	137,099	8,236	786,360	708,812
Accumulated amortization on disposals	-	-	-	-	-	-	(41,000)
Balance, end of year	2,920,370	994,269	1,066,655	804,680	88,285	5,874,259	5,087,899
Net book value of tangible capital assets	13,657,387	1,056,763	1,033,487	3,084,921	228,562	19,061,120	18,544,564
2017 Net book value of tangible capital assets	13,712,527	938,945	1,076,810	2,579,484	236,798	18,544,564	