

Fort Albany First Nation
Consolidated Financial Statements
March 31, 2018

Fort Albany 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 Debt..... | 3 |
| Consolidated Statement of Cash Flows..... | 4 |
| Notes to the Consolidated Financial Statements..... | 5 |
| Schedules | |
| Schedule 1 - Consolidated Schedule of Tangible Capital Assets..... | 20 |
| Schedule 2 - Consolidated Schedule of Consolidated Expenses by Object..... | 22 |
| Schedule 3 - Consolidated Schedule of Revenue and Expenses..... | 23 |

Management's Responsibility

To the Members of Fort Albany First Nation

The accompanying consolidated financial statements of Fort Albany First Nation (the "Nation") are the responsibility of management and have been approved by the Chief and Council.

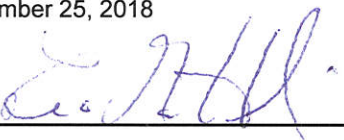
Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate 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 Fort Albany 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. Chief and Council fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. Chief and Council is also responsible for recommending the appointment of the Nation's external auditors.

MNP LLP is appointed by 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 Chief and Council and management to discuss their audit findings.

September 25, 2018



Chief



Chief Executive
Officer

Independent Auditors' Report

To the Members of Fort Albany First Nation:

We have audited the accompanying consolidated financial statements of Fort Albany 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 debt 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 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 qualified audit opinion.

Basis for Qualified Opinion

Canadian public sector accounting standards require budget figures be reported in the statements of operations and accumulated surplus and change in net debt. No budget figures were available (Note 20).

Qualified Opinion



In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of Fort Albany First Nation as at March 31, 2018 and the results of its operations, change in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Timmins, Ontario
September 25, 2018

MNP LLP

Chartered Professional Accountants
Licensed Public Accountants

Fort Albany First Nation
Consolidated Statement of Financial Position
As at March 31, 2018

| | 2018 | 2017 |
|---|--------------------|--|
| Financial assets | | |
| Cash and cash equivalents (Note 3) | 2,535,502 | 1,893,500 |
| Accounts receivable | 931,188 | 961,209 |
| Portfolio investments (Note 5) | 487,416 | 662,929 |
| Loan receivable (Note 6) | 137,500 | 137,500 |
| Due from funding agencies | 2,391,209 | 1,207,075 |
| Investment in Nation business entity (Note 7) | 2,864,000 | 2,690,946 |
| Funds held in trust (Note 4) | 473,127 | 463,295 |
| | 9,819,942 | 8,016,454 |
| Liabilities | | |
| Bank indebtedness (Note 3) | 316,146 | 402,362 |
| Accounts payable and accruals | 4,675,482 | 5,110,264 |
| Deferred revenue (Note 9) | 3,858,275 | 1,414,412 |
| Due to funding agencies | 237,287 | 237,287 |
| Debt (Note 11) | 6,202,425 | 6,316,646 |
| Capital lease obligations | - | 216,104 |
| | 15,289,615 | 13,697,075 |
| Net debt | (5,469,673) | (5,680,621) |
| Contingencies (Note 12) | | |
| Non-financial assets | | |
| Tangible capital assets (Note 8) (Schedule 1) | 44,010,093 | 44,737,993 |
| Inventories held for use | 91,246 | 11,000 |
| Prepaid expenses | 343,627 | 240,298 |
| | 44,444,966 | 44,989,291 |
| Accumulated surplus (Note 14) | 38,975,293 | 39,308,670 |
| Approved on behalf of Chief and Council | | |
|  | Chief |  Councilor |

Fort Albany First Nation
Consolidated Statement of Operations and Accumulated Surplus
For the year ended March 31, 2018

| | 2018 | 2017 |
|---|--------------------|-------------|
| Revenue | | |
| Canada Mortgage and Housing Corporation | 262,091 | 260,424 |
| Health Canada | 2,813,993 | 2,135,079 |
| Indigenous and Northern Affairs Canada | | |
| Flexible funding | 266,300 | 100,000 |
| Fixed funding | 4,349,174 | 1,986,347 |
| Block funding | 7,463,348 | 7,268,752 |
| Set funding | 266,604 | 627,663 |
| Grant Funding | 90,059 | - |
| Province of Ontario | 3,784,458 | 3,460,480 |
| Ontario First Nations Limited Partnership | 1,469,592 | 1,448,994 |
| Earnings from Nation business entity - FAPC | 173,054 | 446,268 |
| Impact Benefit Agreement receipts - De Beers | 302,798 | 371,757 |
| Repayment of funding | (1,503) | - |
| Kimesskanemenow LP - winter road | 1,406,720 | 1,293,980 |
| Mushkegowuk Council | 381,731 | 264,703 |
| Nishnawbe Aski Nation | 559,988 | 431,405 |
| Payukotayno Child and Family Services | 50,614 | 79,168 |
| Rental income | 387,690 | 398,710 |
| Other (Note 18) | 1,182,348 | 1,518,949 |
| Deferred revenue - prior year | 1,398,152 | 627,029 |
| Deferred revenue - current year | (3,845,757) | (1,398,152) |
| | 22,761,454 | 21,321,556 |
| Expenses (Schedule 2) | | |
| Administration and governance | 1,177,616 | 1,542,090 |
| Community and economic development | 3,362,056 | 1,977,451 |
| Community services - Operations and Maintenance | 2,867,899 | 3,152,423 |
| Daycare | 501,072 | 489,134 |
| Education | 6,127,355 | 6,028,814 |
| Health services | 3,169,968 | 2,531,895 |
| Housing | 2,105,032 | 1,853,558 |
| Infrastructure | 595,139 | 462,344 |
| Social assistance | 3,188,694 | 3,211,681 |
| | 23,094,831 | 21,249,390 |
| Annual Surplus (deficit) | (333,377) | 72,166 |
| Accumulated surplus, beginning of year | 39,308,670 | 39,236,504 |
| Accumulated surplus, end of year | 38,975,293 | 39,308,670 |

Fort Albany First Nation
Consolidated Statement of Change in Net Debt
For the year ended March 31, 2018

| | 2018 | 2017 |
|---|--------------------|-------------|
| Annual surplus (deficit) | (333,377) | 72,166 |
| Purchases of tangible capital assets <i>(Schedule 1)</i> | (2,927,626) | (4,741,834) |
| Amortization of tangible capital assets <i>(Schedule 1)</i> | 2,022,730 | 2,080,820 |
| Proceeds of disposal of tangible capital assets | 1,475,000 | - |
| Loss on disposal of tangible capital assets | 157,796 | - |
| (Acquisition) utilization of inventory | (80,246) | 109,630 |
| Acquisition of prepaid expenses | (103,329) | (171,698) |
| Decrease (increase) in net debt | 210,948 | (2,650,916) |
| Net debt, beginning of year | (5,680,621) | (3,029,705) |
| Net debt, end of year | (5,469,673) | (5,680,621) |

Fort Albany 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 | | |
| Annual Surplus (deficit) | (333,377) | 72,166 |
| Non-cash items | | |
| Amortization | 2,022,730 | 2,080,820 |
| Earnings from Nation business entity - FAPC | (173,054) | (446,268) |
| Loss on disposal of tangible capital assets | 157,796 | - |
| | 1,674,095 | 1,706,718 |
| Changes in working capital accounts | | |
| Accounts receivable | 30,022 | 151,161 |
| Prepaid expenses | (103,329) | (171,698) |
| Portfolio investments | 175,513 | (485,931) |
| Loan receivable | - | 135,500 |
| Due from funding agencies | (1,184,134) | (910,438) |
| Accounts payable and accruals | (436,522) | 2,106,784 |
| Deferred revenue | 2,445,608 | 766,255 |
| Inventory | (80,252) | 109,625 |
| | 2,521,001 | 3,407,976 |
| Financing activities | | |
| Advances of debt | 501,089 | 2,104,785 |
| Repayment and forgiveness of debt | (615,310) | (484,520) |
| Repayment of capital lease obligations | (216,104) | (235,750) |
| Funds held in trust | (9,832) | (8,433) |
| Repayment of bank indebtedness | (86,216) | (282,389) |
| | (426,373) | 1,093,693 |
| Capital activities | | |
| Purchases of tangible capital assets | (2,927,626) | (4,741,834) |
| Proceeds of disposal of tangible capital assets | 1,475,000 | - |
| | (1,452,626) | (4,741,834) |
| Increase (decrease) in cash resources | 642,002 | (240,165) |
| Cash resources, beginning of year | 1,893,500 | 2,133,665 |
| Cash resources, end of year | 2,535,502 | 1,893,500 |

1. Operations

Fort Albany First Nation (the "Nation") is located in the province of Ontario, and provides various services to its members. Fort Albany First Nation includes the Nation's members, government and all related entities that are accountable to the Nation and are either owned or controlled by the Nation.

2. Significant accounting policies

These consolidated financial statements are the representations of management, prepared in accordance with Canadian public sector accounting standards. Further, the consolidated financial statements are prepared on the going concern assumption that the Nation will be able to realize its assets and discharge its liabilities in the normal course of operations. Significant accounting policies are as follows:

Reporting entity - consolidated

The financial statements consolidate the financial activities of all entities and departments comprising the Nation reporting entity, except for Nation business entities. Trusts administered on behalf of third parties by Fort Albany First Nation are excluded from the Nation reporting entity. Inter-entity balances have been eliminated on consolidation.

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

- Fort Albany First Nation Band
Mundo Peetabeck Education Authority
Peetabeck Health Services

Nation business entities, owned or controlled by the Nation but not dependent on the Nation for their continuing operations, are included in the financial statements using the modified equity method. Under the modified equity method, the equity method of accounting is modified only to the extent that the business entity accounting principles are not adjusted to conform to those of the Nation. Thus, the Nation's investment in these entities is recorded at acquisition cost and is increased for the proportionate share of post acquisition earnings and decreased by post acquisition losses and distributions received. Entities accounted for by the modified equity basis include:

- Fort Albany Power Corporation

Asset classification

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations. Non-financial assets are acquired, constructed or developed assets that do not normally provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale in the normal course of operations. Non-financial assets include tangible capital assets, prepaid expenses and inventory for internal use.

Portfolio investments

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

Inventory

Inventory of coarse aggregate stockpiles for use in operations are recorded at the lower of cost and net realizable value, with cost being determined on a first-in, first-out basis.

Inventory of heating fuel for use in operations are recorded at the lower of cost and net realizable value, with cost being determined on an average basis.

Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Contributed tangible assets are recorded at their fair value at the date of contribution. One-half of the annual amortization is charged in the year of acquisition. Assets under construction are not amortized until the asset is available for productive use.

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

Capital lease

A lease that transfers substantially all of the benefits and risks of ownership is classified as a capital lease. At the inception of a capital lease, an asset and a payment obligation is recorded at the present value of the minimum lease payments. Assets under capital leases are amortized on the declining balance basis, over their estimated useful lives. All other leases are accounted for as operating leases and rental payments are expensed as incurred.

Amortization

The cost, less residual value, of the tangible capital assets are amortized as follows:

| | Method | Rate |
|--------------------------|-------------------|-------------|
| Buildings | declining balance | 5 % |
| Equipment and furnishing | declining balance | 20 % |
| Roads | straight-line | 10-40 years |
| Water | straight-line | 10-50 years |
| Computers | declining balance | 30-55 % |
| Vehicles | declining balance | 30 % |

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 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 discounted future cash flows. Any impairment is included in surplus for the year.

Net debt

The Nation's financial statements are presented so as to highlight net debt as the measurement of financial position. The net debt of the Nation is determined by its financial assets less its liabilities. Net debt 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 revenue on the statement of financial position in the year of receipt.

Government Transfers

Government transfers are transfers from senior levels of government that are not the result of an exchange transaction and are not expected to be repaid in the future. Government transfers without eligibility criteria or stipulations are recognized as revenue when the transfer is authorized. A transfer with eligibility criteria is recognized as revenue when the transfer is authorized and all eligibility criteria have been met. A transfer with or without eligibility criteria but with stipulations is recognized as revenue in the period the transfer is authorized and all eligibility criteria have been met, except where and to the extent that the transfer gives rise to an obligation that meets the definition of a liability for the organization. Government transfers that meet the definition of a liability are recognized as revenue as the liability is extinguished.

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

Funds held in Ottawa Trust Fund

Revenue related to funds held in the Ottawa Trust Fund is recognized when it is received.

Other revenues

Other revenues are recognized in the year that the events giving rise to the revenues occur and the revenues are earned. Amounts received which relate to revenues that will be earned in a subsequent year, are deferred and reported as liabilities.

Measurement uncertainty

The preparation of consolidated 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 consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Provisions are made for slow moving and obsolete inventory. Amortization is based on the estimated useful lives of tangible capital assets. Included in accounts payable and accruals is \$600,000 (2017 - \$500,000) related to sewage lagoon remediation expected in the 2019 and 2020 fiscal years.

Liability for contaminated site

Expenditures that relate to on-going environmental and remediation programs are charged against surplus as incurred. A liability for a contaminated site reflects management's best estimate of the amount required to remediate the contaminated site. The best estimate of the liability is based upon assumptions and estimates related to the amount and timing of costs for future site remediation.

Changes to the underlying assumptions and estimates or legislative changes in the near term could have a material impact on the provision recognized.

Prior period funding adjustments

The Nation has entered into accountable contribution arrangements with several government funding agencies. These programs are subject to audit by the various governments, with potential audit adjustments repayable to the government. These adjustments are recorded in the financial statements in the year they become known.

Segments

The Nation conducts its business through nine reportable segments. These operating segments are established by senior management to facilitate the achievement of the Nation's long-term objectives to aid in resource allocation decisions, and to assess operational performance.

For each reported segment, revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 20.

Fort Albany First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

3. Cash and cash equivalents

Under the terms of an agreement with Canada Mortgage and Housing Corporation (CMHC), the 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. At the year-end date, the respective monies on hand in the amount of \$117,393 were not sufficient to meet the CMHC reserve fund requirements. The deficiency amounted to \$79,553 (2017 - \$51,484).

Mundo Peetabeck Education Authority, whose books and records are consolidated in these consolidated financial statements, is party to an RBC credit facility agreement bearing interest at the bank prime rate plus 1.80% with a borrowing limit of \$100,000. At the year-end date, the limit was temporarily increased to \$350,000 of which \$290,000 was utilized. Subsequent to the year-end date the limit reverted back to \$100,000. Included in bank indebtedness are overdraft balances of various consolidated entities.

| | 2018 | 2017 |
|--------------------------------|------------------|-------------|
| Cash - unrestricted | 2,418,109 | 1,773,644 |
| CMHC Reserve Fund - Restricted | 117,393 | 119,856 |
| | 2,535,502 | 1,893,500 |

4. Funds held in trust

Capital and revenue trust monies are transferred to the Nation on the authorization of Indigenous and Northern Affairs Canada, with the consent of the Nation's Council.

| | 2018 | 2017 |
|------------------------------------|----------------|-------------|
| Capital Trust | | |
| Balance, beginning and end of year | 46 | 46 |
| Revenue Trust | | |
| Balance, beginning of year | 463,249 | 454,817 |
| Interest | 9,832 | 8,432 |
| Balance, end of year | 473,081 | 463,249 |
| | 473,127 | 463,295 |

The Trust Funds arise from moneys derived from capital or revenue sources as outlined in Section 62 of the Indian Act. These funds are held in trust in the consolidated Revenue Fund of the Government of Canada. The management of these Funds is primarily governed by Sections 63 to 69 of the Indian Act.

Fort Albany First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

5. Portfolio investments

Portfolio investments consists of:

A 25% partnership interest in Kimesskanemenow Limited Partnership, a partnership controlled by several Nation bands whose primary business activity is the annual construction and maintenance of a winter road from Moosonee to Attawapiskat, Ontario. The investment is carried at cost, being the initial contribution and the amounts assumed on transfer when the entity changed its legal structure from a corporation to a limited partnership.

A 25% partnership interest in Creewest Limited Partnership, a partnership controlled by several Nation bands whose primary business activity is the participation in contracting opportunities from development projects within the traditional territories of the limited partners, in order to generate income for the limited partners and employment opportunities for their respective memberships. The investment is carried at cost, being the initial contribution.

A minority equity interest in Mushkegowuk Development Corporation, a corporation controlled by several Nation bands whose primary business activity is providing its shareholders with access to training initiatives. The investment is carried at cost, being the initial contribution.

A minority partnership interest in Ontario First Nations Sovereign Wealth LP, a corporation controlled by several Nation bands whose primary business activity is providing its shareholders with access to investment income from its holdings. The investment is carried at cost, being the initial contribution.

A minority equity interest, being one common share, in OFN Asset Management GP Corp., a corporation controlled by several Nation bands whose primary business activity is providing its shareholders with access to investment income from its holdings. The investment is carried at cost, being the initial contribution.

| | 2018 | 2017 |
|---|----------------|-------------|
| Kimesskanemenow Limited Partnership | 462,114 | 533,126 |
| Creewest Limited Partnership | 300 | 129,803 |
| Mushkegowuk Development Corporation | 25,000 | - |
| Ontario First Nations Sovereign Wealth LP | 1 | - |
| OFN Asset Management GP Corp. | 1 | - |
| | 487,416 | 662,929 |

6. Loan receivable

The loan receivable from Kimesskanemenow Limited Partnership (Note 5), is non-interest bearing, is unsecured and is repayable upon dissolution of the partnership.

Fort Albany First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

7. Investments in Nation business enterprise

The Nation has an interest in a Nation Business Enterprise. Unless otherwise noted, the Nation's interest is 100% of the shares or units of the respective entity.

Fort Albany Power Corporation was established by the Nation to provide hydro-electric power distribution to members of the community.

Summary financial information for the Nation business enterprise, accounted for using the modified equity method, for the respective year-end is as follows:

| | <i>Fort Albany Power Corporation As at December 31, 2017</i> | <i>Fort Albany Power Corporation As at December 31, 2016</i> |
|---|--|--|
| Assets | | |
| Cash | 1,229,212 | 954,855 |
| Accounts receivable | 517,890 | 915,273 |
| Inventory | 45,332 | 89,279 |
| Conservation and Demand Management Program receivable | 245,919 | 356,203 |
| Property, Plant and Equipment | 908,666 | 932,868 |
| Long term deposits | 207,667 | 207,667 |
| Regulatory Assets | 527,317 | 441,853 |
| Total assets | 3,682,003 | 3,897,998 |
| Liabilities | | |
| Accounts payable and accruals | 496,844 | 820,201 |
| Current portion of long term debt | 1,991 | 8,442 |
| Current portion of obligations under capital lease | 46,140 | 48,131 |
| Customer deposits | 2,522 | 4,517 |
| Long-term deferred revenue | 257,080 | 264,508 |
| Long-term debt | - | 1,687 |
| Obligations under capital lease | 13,426 | 59,566 |
| Total liabilities | 818,003 | 1,207,052 |
| Net assets | 2,864,000 | 2,690,946 |
| Total revenue | 2,701,053 | 2,963,088 |
| Total expenses | 2,528,080 | 2,516,821 |
| | 172,973 | 446,267 |
| | - | 446,267 |

Fort Albany First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

7. Investments in Nation business enterprise *(continued from previous page)*

Principal repayments on long-term debt of the Nation's business enterprise in the next year assuming long-term debt subject to refinancing is renewed, are estimated as follows:

| | <i>2018</i> | <i>2019</i> | <i>Total</i> |
|--|---------------|---------------|---------------|
| Long-term debt owed to parties external to the Nation | | | |
| Royal Bank of Canada | - | 1,991 | 1,991 |
| Royal Bank of Canada | 50,823 | 8,743 | 59,566 |
| | 50,823 | 10,734 | 61,557 |

During the year, the following Nation business enterprise had transactions with other organizations of the Nation:

| <i>Name of business enterprise</i> | <i>Name of organization</i> | <i>Nature of transactions/balances</i> |
|------------------------------------|-------------------------------------|--|
| Fort Albany Power Corporation | Fort Albany First Nation - Band | Provided electrical power services to the organization |
| Fort Albany Power Corporation | Mundo Peetabeck Education Authority | Provided electrical power services to the organization |
| Fort Albany Power Corporation | Peetabeck Health Services | Provided electrical power services to the organization |

8. Tangible capital assets

The tangible capital assets reconciliation is included in Schedule 1.

Tangible capital assets include assets under capital lease with a gross cost of \$NIL (2017 - \$664,040), and accumulated amortization of \$NIL (2017 - \$119,527).

Buildings include costs associated with the 10 unit and 5 duplex housing projects and the fire hall with a carrying value of \$5,566,319 (2017 - \$4,998,086). No amortization of these assets have been recorded during the year because they are currently under construction.

The Nation holds works of art and historical treasures which have not been included in tangible capital assets due to the inability of estimating future benefits associated with such property.

Fort Albany First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

9. 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>Funding received</i> | <i>Revenue recognized</i> | <i>Balance, end of year</i> |
|---|---|-----------------------------|-------------------------------|---------------------------------|
| INAC - 5-Duplexes | - | 2,500,000 | 829,627 | 1,670,373 |
| INAC - Elementary | - | 1,756,062 | 1,664,724 | 91,338 |
| INAC - End of Life Vehicle Project | 118,877 | 4,249 | 47,426 | 75,700 |
| INAC - First Nation Support (Grant funding) | - | 90,059 | 56,439 | 33,620 |
| INAC - Housing | 73,601 | 662,901 | 736,502 | - |
| INAC - Other facilities O & M | - | 55,496 | 53,308 | 2,188 |
| INAC - Parental and Community Engagement | - | 10,000 | 3,475 | 6,525 |
| INAC - Post Secondary | - | 1,097,997 | 913,479 | 184,518 |
| INAC - Renovations and Additions | 175,000 | - | 148,777 | 26,223 |
| INAC - Secondary | - | 942,032 | 682,166 | 259,866 |
| INAC - Special Education | 764,852 | 479,638 | 304,045 | 940,445 |
| INAC - Women's Shelter Operations | - | 775,428 | 666,728 | 108,700 |
| Payukotayno Child and Family Services | 9,659 | 50,614 | 47,298 | 12,975 |
| Other | 256,163 | 703,448 | 528,322 | 431,289 |
| | 1,398,152 | 9,127,924 | 6,682,316 | 3,843,760 |

10. Advances from related Nation entities

The parties are related by significant influence. The transactions are recorded at their exchange amount, which is the amount agreed to by the parties.

Included in accounts payable is \$369,699 (2017 - \$390,842) of balances owing to Fort Albany Power Corporation.

Fort Albany First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

11. Debt

| | 2018 | 2017 |
|--|------------------|-------------|
| CMHC mortgage advance, bearing interest at 1.44%, repayment terms to be determined when fully drawn. | 1,435,229 | 1,104,785 |
| RBC term loan, bearing interest at the RBC prime rate plus 1.75%, repayable in full on May 15, 2018, secured by the assignment of Indigenous and Northern Affairs Canada funding. | 682,458 | 1,000,000 |
| RBC term loan, bearing interest at 4.09%, repayable at \$9,695 per month principal and interest, secured by building and assignment of rents, renewable November 2021, maturing November 2031. | 1,165,985 | 1,226,519 |
| CMHC mortgage, bearing interest at 2.04%, repayable at \$3,193 per month principal and interest, renewable March 2019, maturing March 2034. | 523,066 | 550,455 |
| CMHC mortgage, bearing interest at 1.95%, repayable at \$5,558 per month principal and interest, renewable June 2019, maturing May 2034. | 924,741 | 972,967 |
| CMHC mortgage, non-interest bearing, forgivable at \$58,933 per annum, maturing October 2025. Terms of forgiveness stipulate the building financed with the facility must continue to operate as an emergency shelter for women and children who are victims of family violence. | 416,933 | 466,933 |
| CMHC mortgage, bearing interest at 2.13%, repayable at \$3,597 per month principal and interest, renewable October 2022, maturing August 2037. | 735,222 | 766,977 |
| CMHC mortgage, non-interest bearing, forgivable at \$396 per month, maturing March 2019. Terms of forgiveness stipulate the building financed with the facility must continue to operate as a rental unit for band members with a total household income at or below a stipulated income threshold during the period. | 4,750 | 9,500 |
| CMHC mortgage, non-interest bearing, forgivable at \$342 per month, maturing September 2018. Terms of forgiveness stipulate the building financed with the facility must continue to operate as a rental unit for band members with a total household income at or below a stipulated income threshold during the period. | 2,050 | 6,150 |
| CMHC mortgage, non-interest bearing, forgivable at \$396 per month, maturing September 2018. Terms of forgiveness stipulate the building financed with the facility must continue to operate as a rental unit for band members with a total household income at or below a stipulated income threshold during the period. | 2,375 | 7,125 |
| CMHC mortgage, non-interest bearing, forgivable at \$396 per month, maturing September 2018. Terms of forgiveness stipulate the building financed with the facility must continue to operate as a rental unit for band members with a total household income at or below a stipulated income threshold during the period. | 2,375 | 7,125 |
| CMHC mortgage payable, non-interest bearing, forgivable at \$396 per month, maturing June 2018. Terms of forgiveness stipulate the building financed with the facility must continue to operate as a rental unit for band members with a total household income at or below a stipulated income threshold during the period. | 1,188 | 5,938 |
| CMHC mortgage payable, non-interest bearing, forgivable at \$396 per month, maturing February 2021. Terms of forgiveness stipulate the building financed with the facility must continue to operate as a rental unit for band members with a total household income at or below a stipulated income threshold during the period. | 13,854 | 18,604 |

Fort Albany First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

| | | |
|--|------------------|-----------|
| CMHC mortgage payable, non-interest bearing, forgivable at \$396 per month, maturing February 2021. Terms of forgiveness stipulate the building financed with the facility must continue to operate as a rental unit for band members with a total household income at or below a stipulated income threshold during the period. | 13,854 | 18,604 |
| CMHC mortgage payable, non-interest bearing, forgivable at \$396 per month, maturing February 2021. Terms of forgiveness stipulate the building financed with the facility must continue to operate as a rental unit for band members with a total household income at or below a stipulated income threshold during the period. | 13,854 | 18,604 |
| CMHC mortgage payable, non-interest bearing, forgivable at \$396 per month, maturing February 2021. Terms of forgiveness stipulate the building financed with the facility must continue to operate as a rental unit for band members with a total household income at or below a stipulated income threshold during the period. | 13,854 | 18,604 |
| RBC loan bearing interest at 4.99%, repayable in monthly blended payments of \$807. The loan matures in December 2019 and is secured by 2014 GMC Sierra truck with a carrying value of \$12,469. | 16,195 | 24,833 |
| RBC loan bearing interest at 4.90%, repayable in monthly blended payments of \$2,018. The loan matures in February 2020 and is secured by two GMC school buses with a carrying value of \$31,247. | 42,358 | 63,917 |
| RBC loan bearing no interest, repayable in monthly fixed principal payments of \$631. The loan matures in January 2021 and is secured by a 2015 Chevrolet Silverado truck with a carrying value of \$17,840. | 21,439 | 29,006 |
| RBC loan bearing interest at 4.99%, repayable in monthly blended payments of \$790. The loan matures in March 2022 and is secured by a 2015 Chevrolet Silverado with a carrying value of \$39,295. | 34,295 | - |
| RBC loan bearing interest at 4.99%, repayable in monthly blended payments of \$905. The loan matures in March 2022 and is secured by a 2016 Chevrolet Silverado with a carrying value of \$44,295. | 44,295 | - |
| RBC loan bearing interest at 4.99%, repayable in monthly blended payments of \$605. The loan matures in March 2022 and is secured by a 2017 Chevrolet Silverado with a carrying value of \$46,295. | 26,295 | - |
| CMHC forgivable loan advance, non-interest bearing, repayment terms to be determined when fully drawn. Terms of forgiveness stipulate the building financed with the facility must continue to operate as an emergency shelter for women and children who are victims of family violence. | 65,760 | - |
| | 6,202,425 | 6,316,646 |

Each of the above CMHC debt facilities are secured by Band Council Resolution and Ministerial Guarantee from Indigenous and Northern Affairs Canada.

Principal repayments and forgiveness on long-term debt in each of the next five years, assuming long-term debt subject to refinancing is renewed, are estimated as follows:

| | |
|------------|-----------|
| 2019 | 1,070,275 |
| 2020 | 305,294 |
| 2021 | 281,090 |
| 2022 | 264,246 |
| 2023 | 197,606 |
| Thereafter | 4,038,914 |

12. Contingencies

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

The Nation is involved in legal actions in the normal course of its operations. 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 expense recorded on the Nation's consolidated financial statements. Included in accounts payable and accruals is \$204,561 in respect of such claims.

The Nation operates sewage lagoons and waste storage facilities adjacent to the reserve lands. The Ontario Ministry of the Environment has identified certain non-compliance issues in relation to these facilities and has issued action directives which, at the date of these consolidated financial statements, have not been completed. Management is of the opinion the resolution will include funding from other levels of government. The Nation has accrued in accounts payable and accruals \$600,000 (2017 - \$500,000) in respect of its share of any future capital expenditures related to this matter.

The Nation has a number of credit facilities with CMHC that contain provisions for forgiveness of the liabilities over time pursuant to covenants. Failure to meet these covenants could result in the credit facilities being converted from forgivable to repayable (Note 11).

Fort Albany First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

13. Financial Instruments

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

Credit Risk

Credit risk is the risk of financial loss because a counter party to a financial instrument fails to discharge its contractual obligations. An allowance for doubtful accounts of \$1,322,549 (2017 - \$897,540) is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information.

Risk management

The Nation minimizes its credit risk by having a significant number of members/customers. The Nation records allowances for potentially uncollectible accounts receivable.

Liquidity Risk

Liquidity risk is the risk that the Nation will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivery of cash or another financial asset. The Nation enters into transactions borrow funds from financial institutions or other creditors and lease equipment from various creditors, for which repayment is required by maturity.

Contractual maturities of debt and capital leases are disclosed in Note 11.

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 Nation is exposed to interest rate risk with respect to operating lines of credit and term loans subject to refinancing. Management negotiates financing terms with its creditors in order to minimize interest rate risk.

14. Accumulated operating surplus

Accumulated surplus consists of restricted and unrestricted amounts as follows:

| | 2018 | 2017 |
|-----------------------------------|-------------------|-------------|
| Unrestricted | | |
| Operating surplus (deficit) | (718,206) | 50,136 |
| OFNLP | 1,184,864 | 117,466 |
| Equity in tangible capital assets | 37,838,561 | 38,506,433 |
| | 38,305,219 | 38,674,035 |
| Restricted | | |
| Funds held in trust - Ottawa | 473,128 | 463,295 |
| CMHC Replacement Reserve | 196,946 | 171,340 |
| | 670,074 | 634,635 |
| | 38,975,293 | 39,308,670 |

Fort Albany First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

15. Distributions from Ontario First Nations Limited Partnership

Commencing with the 2012 fiscal year and in each fiscal year thereafter, the agreement between the Province of Ontario and Ontario First Nations Limited Partnership (OFNLP), the Province of Ontario shall pay to OFNLP 12 monthly payments equal to one-twelfth of 1.7% of the aggregate provincial gross gaming revenues. OFNLP then distributes to the 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 Nation holds a 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.

16. Economic dependence

The Nation receives substantially all of its revenue from Indigenous and Northern Affairs Canada (INAC), Health Canada, the Province of Ontario and other funding agencies. The nature and extent of this revenue is of such significance that the Nation is economically dependent on these sources of revenue.

17. Contractual obligations

The Nation has entered into a contract to construct 10 detached housing units in the amount of \$2,500,000 with an expected completion date in the 2019 fiscal year.

18. Other revenue

The balance reported as "Other Revenue" on the Consolidated Statement of Operations and Accumulated Surplus consists of the following:

| | 2018 | 2017 |
|---|------------------|-------------|
| Insurance proceeds | 251,730 | 75,000 |
| Labour and other charges - capital projects | 17,000 | 335,999 |
| HST rebates | 96,229 | 80,915 |
| Loss on disposal of tangible capital assets | (157,796) | - |
| User fees | 87,949 | 84,953 |
| Sale of gravel | 237,807 | - |
| Other | 649,432 | 942,082 |
| | 1,182,351 | 1,518,949 |

19. Budget information

Canadian public sector accounting standards (PSAS) require the disclosure of budget information for comparison to the Nation's actual revenue and expenses. The consolidated budgeted revenue and expenses, and surplus have not been reported in these financial statements. While having no effect on reported revenue, expenses, and surplus, omission of this information is a departure from PSAS.

20. Segments

Fort Albany First Nation is a diversified local government that provides a wide range of services to its members, including water, fire protection, roadworks, technical services, recreation, social services, health services, education, social housing and economic development among others. For management reporting purposes, the Nation's operations and activities are organized and reported by fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with specific regulations, requirements or limitations.

The Nation's services are provided by departments and their activities are recorded in these funds. Certain departments that have been disclosed in the segmented information, along with the services they provide, are as follows:

ADMINISTRATION AND GOVERNANCE

-Manages the administrative operations of the Nation, undertakes Nation operated governance initiatives through the activities of Chief and Council and other activities relating to reserve lands, membership matters and other governance initiatives. Those costs that relate directly to the administration of the various segments have been allocated to the appropriate segment.

COMMUNITY AND ECONOMIC DEVELOPMENT

-Manages the development of economic opportunities for Nation entities and provides support to member entities as well undertakes activities of the Ontario First Nations Limited Partnership (OFNLP) Fund and the Impact Benefit Agreement.

COMMUNITY SERVICES- O&M

-Provides contract management services, heavy equipment operations, bulk fuel operations, general labour services and other related activities.

DAYCARE

-Manages the activities of the local children's' daycare program.

EDUCATION

-Provides elementary and secondary instructional services and provides financial support to post-secondary students.

HEALTH SERVICES

-Provides a variety of health care programs and support to Nation members.

HOUSING

-Provides housing to members under CMHC and other programs and reports on the respective revenue and expenditures.

INFRASTRUCTURE

-Manages Nation infrastructure programs including facilities operations and maintenance, capital projects, water and waste water plant operations and other related activities.

SOCIAL ASSISTANCE

-Administers the provision of social assistance to qualifying members.

For each reported segment, revenues and expenditures represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 2.

21. Change in accounting policies

Effective April 1, 2017, the 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 as a result of adopting the new Sections.

22. Comparative figures

Certain figures presented for comparative purposes have been reclassified to conform with the current year's presentation.

Fort Albany First Nation
Schedule 1 - Consolidated Schedule of Tangible Capital Assets

For the year ended March 31, 2018

| | <i>Land Improvements</i> | <i>Buildings</i> | <i>Vehicles and Moveable Equipment</i> | <i>Furnishing, Equipment and Computers</i> | <i>Roads, Streets and Bridges</i> | <i>Subtotal</i> |
|--|------------------------------|-------------------|--|--|---------------------------------------|-------------------|
| Cost | | | | | | |
| Balance, beginning of year | 1,704,903 | 49,280,692 | 809,918 | 3,526,467 | 7,695,138 | 63,017,118 |
| Acquisition of tangible capital assets | - | 2,169,496 | 329,696 | 163,388 | - | 2,662,580 |
| Disposal of tangible capital assets | - | (1,730,803) | - | - | - | (1,730,803) |
| Balance, end of year | 1,704,903 | 49,719,385 | 1,139,614 | 3,689,855 | 7,695,138 | 63,948,895 |
| Accumulated amortization | | | | | | |
| Balance, beginning of year | - | 19,318,257 | 576,073 | 2,232,055 | 4,158,049 | 26,284,434 |
| Annual amortization | - | 1,260,474 | 168,806 | 148,644 | 173,323 | 1,751,247 |
| Accumulated amortization on disposals | - | (98,007) | - | - | - | (98,007) |
| Balance, end of year | - | 20,480,724 | 744,879 | 2,380,699 | 4,331,372 | 27,937,674 |
| Net book value of tangible capital assets | 1,704,903 | 29,238,661 | 394,735 | 1,309,156 | 3,363,766 | 36,011,221 |
| 2017 | | | | | | |
| Net book value of tangible capital assets | 1,704,903 | 29,962,435 | 233,845 | 1,294,412 | 3,537,089 | 36,732,684 |

Fort Albany First Nation
Schedule 1 - Consolidated Schedule of Tangible Capital Assets
For the year ended March 31, 2018

| | <i>Subtotal</i> | <i>Water and Sewer</i> | <i>2018</i> | <i>2017</i> |
|--|-------------------|----------------------------|-------------------|-------------------|
| <hr/> | | | | |
| Cost | | | | |
| Balance, beginning of year | 63,017,118 | 13,441,624 | 76,458,742 | 71,716,908 |
| Acquisition of tangible capital assets | 2,662,580 | 265,046 | 2,927,626 | 4,741,834 |
| Disposal of tangible capital assets | (1,730,803) | - | (1,730,803) | - |
| <hr/> | | | | |
| Balance, end of year | 63,948,895 | 13,706,670 | 77,655,565 | 76,458,742 |
| <hr/> | | | | |
| Accumulated amortization | | | | |
| Balance, beginning of year | 26,284,434 | 5,436,315 | 31,720,749 | 29,639,929 |
| Annual amortization | 1,751,247 | 271,483 | 2,022,730 | 2,080,820 |
| Accumulated amortization on disposals | (98,007) | - | (98,007) | - |
| <hr/> | | | | |
| Balance, end of year | 27,937,674 | 5,707,798 | 33,645,472 | 31,720,749 |
| <hr/> | | | | |
| Net book value of tangible capital assets | 36,011,221 | 7,998,872 | 44,010,093 | 44,737,993 |
| <hr/> | | | | |
| | | | | 2017 |
| Net book value of tangible capital assets | 36,732,684 | 8,008,309 | 44,740,993 | |
| <hr/> | | | | |

Fort Albany First Nation
Schedule 2 - Schedule of Consolidated Expenses by Object
For the year ended March 31, 2018

| | 2018 | 2017 |
|--|--------------------|-------------|
| Consolidated expenses by object | | |
| Administration | 156,387 | 89,219 |
| Amortization | 2,022,730 | 2,080,820 |
| Bad debts | 427,513 | 274,207 |
| Bank charges and interest | 37,311 | 40,277 |
| Honouraria | 125,066 | 109,472 |
| Insurance | 414,784 | 367,638 |
| Interest on long-term debt | 149,313 | 141,788 |
| Materials and supplies | 2,429,239 | 839,476 |
| Office and other | 406,592 | 463,755 |
| Post secondary education | 913,479 | 930,787 |
| Professional fees | 542,954 | 556,769 |
| Program expenses | 2,981,529 | 1,511,232 |
| Rent | 13,210 | 5,280 |
| Repairs and maintenance | 1,667,722 | 904,849 |
| Salaries, benefits and honoraria | 7,116,954 | 7,535,002 |
| School supplies | 46,652 | 100,312 |
| Sewage and waste facilities closure | 100,000 | 100,000 |
| Social assistance payments | 2,578,161 | 2,585,776 |
| Subcontracts | 640,217 | 5,581,739 |
| Training | 71,000 | 32,674 |
| Travel | 762,045 | 622,390 |
| Utilities | 944,598 | 1,117,766 |
| Capital expenditures | (1,452,627) | (4,741,836) |
| | 23,094,829 | 21,249,392 |

Fort Albany First Nation
Schedule 3 - Consolidated Schedule of Segmented Disclosure
For the year ended March 31, 2018

| | <i>INAC Revenue</i> | <i>Other Revenue</i> | <i>Deferred Revenue</i> | <i>Total Revenue</i> | <i>Total Expenses</i> | <i>Adjustments/ Transfers From (To)</i> | <i>Current Surplus (Deficit)</i> | <i>Prior Year Surplus (Deficit)</i> |
|-------------------------------|---------------------|----------------------|-------------------------|----------------------|-----------------------|---|----------------------------------|-------------------------------------|
| Segment | | | | | | | | |
| Infrastructure | 266,300 | 432,791 | (10,217) | 688,874 | 595,139 | 100,000 | 193,735 | 49,473 |
| Social assistance | 175,433 | 2,999,268 | (1,998) | 3,172,703 | 3,188,694 | - | (15,991) | 55,655 |
| Housing | 3,056,154 | 586,725 | (1,419,729) | 2,223,150 | 2,105,032 | - | 118,118 | (312,255) |
| Administration and Governance | 1,460,574 | 214,751 | (79,988) | 1,595,337 | 1,177,616 | (457,973) | (40,252) | (222,804) |
| Community Development | 1,016,155 | 2,627,032 | (153,838) | 3,489,349 | 3,362,056 | (186,249) | (58,956) | 1,501,640 |
| Community Services - O&M | 764,643 | 1,513,034 | - | 2,277,677 | 2,867,899 | 544,222 | (46,000) | (770,851) |
| Daycare | 71,590 | 414,665 | - | 486,255 | 501,072 | - | (14,817) | (41,651) |
| Education | 5,624,636 | 554,420 | (776,201) | 5,402,855 | 6,127,355 | - | (724,500) | (352,661) |
| Health Services | - | 3,432,886 | (5,635) | 3,427,251 | 3,169,968 | - | 257,283 | 165,617 |
| | 12,435,485 | 12,775,572 | (2,447,606) | 22,763,451 | 23,094,831 | - | (331,380) | 72,163 |