

**Fort Albany First Nation
Consolidated Financial Statements**

March 31, 2018

Fort Albany First Nation Contents

For the year ended March 31, 2018

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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.

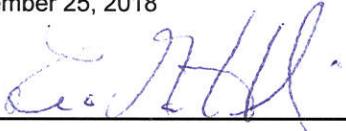
Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate 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 fulfills 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)		
Purchases of tangible capital assets (Schedule 1)	(333,377)	72,166
Amortization of tangible capital assets (Schedule 1)	(2,927,626)	(4,741,834)
Proceeds of disposal of tangible capital assets	2,022,730	2,080,820
Loss on disposal of tangible capital assets	1,475,000	-
(Acquisition) utilization of inventory	157,796	-
Acquisition of prepaid expenses	(80,246)	109,630
	(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

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

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.

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

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.

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

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 Peetabec 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
Kimesskanamenow 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	-
	<hr/> 487,416	<hr/> 662,929

6. Loan receivable

The loan receivable from Kimesskanamenow 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:

Name of business enterprise	Name of organization	Nature of transactions/balances
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

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

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	<u>37,838,561</u>	38,506,433
	38,305,219	38,674,035
Restricted		
Funds held in trust - Ottawa	473,128	463,295
CMHC Replacement Reserve	<u>196,946</u>	171,340
	670,074	634,635
	<u>38,975,293</u>	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
	<hr/> 1,182,351	<hr/> 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.

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

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.

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

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
Net book value of tangible capital assets	2017	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>
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)	-
Balance, end of year	63,948,895	13,706,670	77,655,565	76,458,742
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)	-
Balance, end of year	27,937,674	5,707,798	33,645,472	31,720,749
Net book value of tangible capital assets	36,011,221	7,998,872	44,010,093	44,737,993
Net book value of tangible capital assets	2017	36,732,684	8,008,309	44,740,993

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</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