

**SAINT MARY'S FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016**

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CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

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Chartered Professional Accountants

An Independent Member of
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INDEPENDENT AUDITORS' REPORT

To the Chief and Band Councilors of Saint Mary's First Nation

We have audited the accompanying consolidated financial statements of Saint Mary's First Nation, which comprise the consolidated statement of financial position as at March 31, 2016, and the consolidated statements of operations, changes in net debt and cash flows, and schedules for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's 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 auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Saint Mary's First Nation as at March 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Teed Saunders Doyle & Co.

Fredericton, New Brunswick
July 27, 2016

CHARTERED PROFESSIONAL ACCOUNTANTS

Fredericton



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Saint John

SAINT MARY'S FIRST NATION
 CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 AS AT MARCH 31, 2016

	<u>2016</u>	<u>2015</u>
FINANCIAL ASSETS		
Cash (note 3)	\$ 15,233,795	\$ 15,015,584
Restricted cash (note 3)	90,282	81,237
Accounts receivable (note 4)	1,061,984	1,010,031
Due from government and government organizations (note 5)	1,908,083	2,409,081
Investment in Saint Mary's Economic Development Corporation (note 13)	2,318,120	1,647,199
Inventory for resale (note 15)	1,019,720	979,114
Funds held in trust (note 12)	4,400	4,308
Loans receivable (note 7)	<u>2,704,271</u>	<u>3,444,540</u>
Total financial assets	<u>24,340,655</u>	<u>24,591,094</u>
LIABILITIES		
Accounts payable and accrued liabilities	6,767,944	6,470,626
Due to government and government organizations (note 8)	12,987	2,537
Deferred revenue (note 9)	402,844	363,636
Long-term debt (note 10)	<u>17,021,143</u>	<u>15,002,161</u>
Total liabilities	<u>24,204,918</u>	<u>21,838,960</u>
NET FINANCIAL ASSETS (NET DEBT)	<u>135,737</u>	<u>2,752,134</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (note 6)	32,484,369	27,733,092
Prepaid expenses	<u>641,335</u>	<u>238,550</u>
Total non-financial assets	<u>33,125,704</u>	<u>27,971,642</u>
ACCUMULATED SURPLUS	<u>\$ 33,261,441</u>	<u>\$ 30,723,776</u>

*Lya Howe CIP CCM
 Heather Gleeson*

July 28/2016

SAINT MARY'S FIRST NATION
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2016

	<u>2016</u> <u>Budget</u>	<u>2016</u> <u>Actual</u>	<u>2015</u> <u>Actual</u>
Revenue			
Indigenous and Northern Affairs Canada (note 14)	\$ 10,634,319	\$ 11,835,584	\$ 11,440,788
Department of Fisheries and Oceans Canada	588,914	546,568	588,914
Canada Mortgage and Housing Corporation	-	1,246,312	1,330,102
Retail Sales Program Operation	41,932,658	35,487,418	35,902,184
Province of New Brunswick	150,000	780,435	762,289
Leasing Company	656,279	758,027	671,192
Net income (loss) from investment in St. Mary's Economic Development Corporation	-	670,921	(37,120)
First Nations Aboriginal Skills and Employment Strategies	450,033	479,325	467,416
Other	7,737,328	10,703,542	9,123,799
Logging	505,000	789,194	585,645
Health Canada	<u>1,303,152</u>	<u>1,307,151</u>	<u>1,400,181</u>
	<u>63,957,683</u>	<u>64,604,477</u>	<u>62,235,390</u>
 Band Support	2,085,746	2,925,329	2,401,710
Social Assistance Administration	115,932	105,528	100,913
Child and Family Services	1,257,999	2,348,694	1,726,793
Daycare Services	172,323	122,175	124,201
Adult Care Services	80,430	56,387	70,398
Ancillary Services	270,320	249,107	216,748
Fisheries - DFO - AICFI	243,070	204,442	243,070
Band School	1,513,459	1,374,878	1,329,682
Busing and Transportation	180,492	200,756	195,633
Community Public Works	423,721	493,819	515,700
Fisheries - AFS	299,500	264,844	303,829
Fisheries - Other seafood	185,001	460,116	341,070
Tuition Agreement	1,517,739	1,667,934	1,490,701
Fisheries - Lobster	702,740	960,948	773,932
Own Source Programs	6,816,441	8,005,050	6,857,799
Housing Fund	403,921	1,243,964	920,380
Social Assistance Fund	2,583,200	2,156,171	2,625,917
Post Secondary Education	1,525,573	804,466	994,388
First Nations ASETS	439,830	450,623	453,685
Health	1,162,816	1,289,097	1,337,332
Forestry	499,559	612,830	494,285
Retail Sales Program Operation	40,963,904	33,977,035	34,711,864
Leasing Company	656,279	863,321	735,424
CMHC Housing	<u>-</u>	<u>1,229,298</u>	<u>1,343,782</u>
	<u>64,099,995</u>	<u>62,066,812</u>	<u>60,309,236</u>
 Annual Surplus (Deficit)	(142,312)	2,537,665	1,926,154
 Accumulated Surplus - Beginning of Year	<u>30,723,776</u>	<u>30,723,776</u>	<u>28,797,622</u>
 Accumulated Surplus - End of Year	<u>\$ 30,581,464</u>	<u>\$ 33,261,441</u>	<u>\$ 30,723,776</u>

SAINT MARY'S FIRST NATION

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (NET DEBT)
FOR THE YEAR ENDED MARCH 31, 2016

	<u>2016</u> <u>Actual</u>	<u>2015</u> <u>Actual</u>
Annual Surplus For The Year	\$ 2,537,665	\$ 1,926,154
Acquisition of tangible capital assets	(6,515,864)	(2,595,352)
Disposition of tangible capital assets	22,040	5,553
Amortization of capital assets	1,742,546	1,734,141
Decrease (increase) in prepaid expenses	<u>(402,784)</u>	<u>(155,674)</u>
	<u>(5,154,062)</u>	<u>(1,011,332)</u>
(Increase) Decrease In Net Debt	(2,616,397)	914,822
Net Financial Assets (Net Debt) - Beginning Of Year	<u>2,752,134</u>	<u>1,837,312</u>
Net Financial Assets (Net Debt) - End Of Year	\$ 135,737	\$ 2,752,134

SAINT MARY'S FIRST NATION
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2016

	<u>2016</u> <u>Actual</u>	<u>2015</u> <u>Actual</u>
Cash Provided By (Required For):		
Operating Activities		
Annual Surplus For The Year	\$ 2,537,665	\$ 1,926,154
Item not affecting cash		
Amortization	<u>1,742,546</u>	<u>1,734,141</u>
Changes in non-cash operating working capital (note 16)	4,280,211	3,660,295
	<u>352,630</u>	<u>(516,673)</u>
	<u>4,632,841</u>	<u>3,143,622</u>
Investing Activities		
Additions to tangible capital assets	(6,515,864)	(2,595,352)
Disposal of tangible capital assets	22,040	5,553
Repayment of loan receivable	740,269	401,333
Investment in Saint Mary's Economic Development Corporation	<u>(670,921)</u>	<u>37,120</u>
	<u>(6,424,476)</u>	<u>(2,151,346)</u>
Financing Activities		
Repayment of long-term debt	(1,804,475)	(1,772,618)
Proceeds from long-term debt	<u>3,823,458</u>	<u>2,043,672</u>
	<u>2,018,983</u>	<u>271,054</u>
Increase In Cash During The Year	227,348	1,263,330
Cash Position At Beginning Of Year	<u>15,101,129</u>	<u>13,837,799</u>
Cash Position At End Of Year	<u>\$ 15,328,477</u>	<u>\$ 15,101,129</u>
 Cash consists of:		
Cash	\$15,233,795	\$15,015,584
Restricted cash	90,282	81,237
Funds held in trust	<u>4,400</u>	<u>4,308</u>
	<u>\$15,328,477</u>	<u>\$15,101,129</u>

SAINT MARY'S FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

1. Description of Entity

The Saint Mary's First Nation operates a First Nations Band in Fredericton, New Brunswick for the benefit of its members.

2. Significant Accounting Policies

Basis of Accounting

These financial statements have been prepared in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

Reporting Entity

The Saint Mary's First Nation reporting entity includes the Saint Mary's First Nation government and all related entities that are controlled by the First Nation.

Principles of Consolidation

All controlled entities are fully consolidated on a line-by-line basis except for the commercial enterprises which meet the definition of government business enterprise, which are included in the Consolidated Financial Statements on a modified equity basis. Inter-organizational balances and transactions are eliminated upon consolidation.

Under the modified equity method of accounting, only Saint Mary's First Nation's investment in the government business enterprise and the enterprise's net income and other changes in equity are recorded. No adjustment is made for accounting policies of the enterprise that are different from those of Saint Mary's First Nation.

Organizations consolidated in the Saint Mary's First Nation's financial statements include:

- Band Support Fund
- Housing Fund
- Welfare Fund
- Post Secondary Education Program
- Health Program
- Saint Mary's Retail Sales Program Operation
- Saint Mary's Leasing Company Ltd.
- Aboriginal Skills and Employment Training Strategy
- Logging Program
- Saint Mary's CMHC Housing

The consolidated statements also include an investment in the Saint Mary's Economic Development Corporation (note 13) using the modified equity method.

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 provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale. Non-financial assets include tangible capital assets, and prepaid expenses.

SAINT MARY'S FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

2. Significant Accounting Policies (cont'd)

Cash and Cash Equivalents

The Saint. Mary's First Nation considers cash on hand, short-term deposits and balances with banks, net of overdrafts as cash or cash equivalents. Bank borrowings are considered to be financing activities.

Accounts Receivable and Contributions Receivable From Government Organizations

Accounts receivable and contributions receivable arise from trade receivables, loans and advances, and federal and provincial government funding. An allowance for bad debts has been calculated, through discussions with management, assessment of the other circumstances influencing the collectability of amounts, and using historical loss experience. Amounts deemed uncollectable are written off and deducted from the carrying value of the receivable. Amounts subsequently recovered from accounts previously written off are credited to the allowance account in the period of recovery.

Inventory

Inventories are stated at the lower of cost and net realizable value. Cost includes the costs to purchase, and other costs directly attributable to the inventories. Cost is determined using the first in, first out method. Net realizable value represents the amount that may be realized from the sale of an inventory item under normal business conditions. When inventories are sold, the carrying amount of those inventories are recognized as an expense in the period in which the related revenue is recognized. The amount of any writedown of inventories to net realizable value and all losses of inventories shall be recognized as an expense in the period the loss or writedown occurs. The amount of reversal of any writedowns, arising from an increase in net realizable value, shall be recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

Tangible Capital Assets

Tangible capital assets include acquired, built, developed and improved tangible capital assets, whose useful life extends beyond one year and which are intended to be used on an ongoing basis for producing goods or delivering services.

Tangible capital assets are reported at net book value.

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

Amortization is provided annually, at rates calculated to write-off the assets over their estimated useful lives as follows:

Housing/Buildings	4% Straightline and declining balance
Paving	5% Straightline
Pool	10% Straightline
Equipment	10% Straightline and 20% declining balance
Computer equipment	25% Straightline
Vehicles	20% Straightline

Employee Future Benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, sick leave, annual vacation leave, and defined contributions to employee benefit plans when it is probable that settlement will be required and they are capable of being measured reliably.

SAINT MARY'S FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

2. Significant Accounting Policies (cont'd)

Net Debt

The First Nation's financial statements are presented so as to highlight net debt as the measurement of financial position. The net debt of the First Nation is determined by its liabilities less its financial assets. Net debt is comprised of two components, non-financial assets and accumulated surplus.

Revenue Recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Contributions from other sources are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose.

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

Expense Recognition

Expenses are recorded on the accrual basis as they are incurred and measurable based on receipt of goods or services and obligation to pay.

Foreign Currency Translation

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. Revenues and expenses denominated in foreign currencies are translated using the average exchange rate for the year.

Income Taxes

The First Nation is an Indian Band and is not subject to income tax. Accordingly, no provision has been made for income taxes.

SAINT MARY'S FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

2. Significant Accounting Policies (cont'd)

Measurement Uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Significant estimates pertaining to these financial statements include the determination of amortization rates and residual values of tangible capital assets.

Financial Instruments Policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale or issue of financial instruments are expensed when incurred.

3. Cash

Cash is comprised of the following:

	<u>2016</u>	<u>2015</u>
Externally restricted		
Moveable assets reserve	\$ 90,282	\$ 81,237
Trust funds held by federal government	<u>4,400</u>	<u>4,308</u>
	<u>94,682</u>	<u>85,545</u>
Unrestricted		
Operating	13,850,947	13,632,890
Guaranteed investment certificates	<u>1,382,848</u>	<u>1,382,694</u>
	<u>15,233,795</u>	<u>15,015,584</u>
Total Cash	\$ 15,328,477	\$ 15,101,129

4. Accounts Receivable

	<u>2016</u>	<u>2015</u>
Due from members:		
Loans	<u>\$ 88,503</u>	<u>\$ 76,713</u>
Due from others:		
Forestry	20,455	27,189
Retail Sales Program	<u>839,765</u>	<u>786,805</u>
Other (net of allowance for doubtful accounts)	<u>113,261</u>	<u>119,324</u>
	<u>973,481</u>	<u>933,318</u>
Total Accounts Receivable	<u>\$ 1,061,984</u>	<u>\$ 1,010,031</u>

SAINT MARY'S FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

5. Due From Government and Government Organizations

	<u>2016</u>	<u>2015</u>
Indigenous and Northern Affairs Canada (2015 - 2016)	\$ 415,633	\$ -
Indigenous and Northern Affairs Canada (2014 - 2015)	\$ -	\$ 312,865
Indigenous and Northern Affairs Canada (2013 - 2014)	- -	1,740
Indigenous and Northern Affairs Canada - Funding in transit	- -	48,929
Province of New Brunswick, DFO And Other Funding Agencies	1,450,519	1,675,896
Canada Revenue Agency - HST	36,343	34,289
Human Resources and Social Development Canada	- -	113,378
Health Canada	<u>5,588</u>	<u>221,984</u>
	<u><u>\$ 1,908,083</u></u>	<u><u>\$ 2,409,081</u></u>

SAINT MARY'S FIRST NATION
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED MARCH 31, 2016

6. Tangible Capital Assets

	Cost			Accumulated Amortization			Net Book Value		
	Opening Balance	Additions	Disposals	Transfers of Assets	Closing Balance	Amortization	Closing Balance	Total 2016	Total 2015
Tangible Capital Assets									
Commercial Land	\$ 642,073			\$ 642,073	\$ 1,688,637	\$ -	\$ -	\$ 642,073	\$ 642,073
Residential Land	1,688,637			10,181,691	4,294,189	293,124	4,587,313	1,688,637	1,688,637
Commercial buildings	10,048,127	133,564		12,709,422	1,163,286	13,872,708	5,594,377	5,753,938	
Residential buildings	30,069,482	3,272,327	510,711	33,852,520	457,172	31,915	489,088	19,979,812	17,360,060
Roads	644,006			644,006	1,542,187	111,297	1,653,484	154,918	186,834
Furniture and fixtures	2,122,564	52,893		2,175,457	787,432	746,601	13,034	521,973	580,377
Vehicles	779,932	7,500		126,712	58,124	-	58,124	27,796	33,331
Computer equipment	117,837	8,874					113,487	13,224	9,478
Leasehold improvements	58,124							-	
Assets under construction	510,711	2,747,281	(510,711)	2,747,281				2,747,281	\$ 510,711
Other equipment	5,562,634	293,425	(22,040)	5,834,020	4,594,981	124,762	4,719,743	1,114,277	\$ 967,654
Total	\$ 52,244,128	\$ 6,515,864	\$ (22,040)	\$ (0)	\$ 58,737,952	\$ 24,511,036	\$ 1,742,546	\$ 26,253,582	\$ 32,484,369
									\$ 27,733,092

SAINT MARY'S FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

7. Loans Receivable

	<u>2016</u>	<u>2015</u>
Loan receivable from Saint Mary's Economic Development Corporation in monthly installments of \$60,906 including principal and interest at 4.65%, due October 2019. The loan is reported in the Saint Mary's First Nation as a loan receivable from Saint Mary's Economic Development with an offsetting loan payable to Canadian Imperial Bank of Commerce (Note 10). Saint Mary's Economic Development Corporation guarantees this loan.	\$ 2,401,371	\$ 3,046,040
Loan receivable from Saint Mary's Economic Development Corporation in monthly installments of \$3,333 including principal plus interest at prime plus 1%, due December 2019. The loan is reported in the Saint Mary's First Nation as a loan receivable from Saint Mary's Economic Development with an offsetting loan payable to Canadian Imperial Bank of Commerce (Note 10). Saint Mary's Economic Development Corporation guarantees this loan.	150,000	\$ 190,000
Loan receivable from Saint Mary's Economic Development Corporation in monthly installments of \$4,633 plus interest at prime plus 1%, due December 2018. The loan is reported in the Saint Mary's First Nation as a loan receivable from Saint Mary's Economic Development with an offsetting loan payable to Canadian Imperial Bank of Commerce (Note 10). Saint Mary's Economic Development Corporation guarantees this loan.	<u>152,900</u>	<u>208,500</u>
	2,704,271	3,444,540
Less current portion	<u>720,884</u>	<u>692,528</u>
	<u>\$ 1,983,387</u>	<u>\$ 2,752,012</u>

Assuming the loans are renewed on comparable terms, the principal portion of long term debt expected to become due in each of the next four years is as follows:

2017	\$ 720,884
2018	750,588
2019	781,702
2020	451,097

SAINT MARY'S FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

8. Due to Government and Government Organizations

	<u>2016</u>	<u>2015</u>
Canada Revenue Agency - Payroll	\$ 12,987	\$ 2,537

9. Deferred Revenue

	<u>Opening Balance</u>	<u>Funding Received</u>	<u>Revenue Recognized</u>	<u>Closing Balance</u>	<u>2016</u>	<u>2015</u>
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Consultation Busing	\$ 9,438	\$ 94,985	\$ -	\$ 104,423	\$ 104,423	\$ 9,438
Indian Studies Support Program	40,597	-	(23,722)	16,875	16,875	40,597
CHMES - Playground Fund	33,888	23,497	-	57,385	57,385	33,888
Health	20,075	1,000	-	21,075	21,075	20,075
Retail	27,561	-	-	27,561	27,561	27,561
Recreation Grant	228,077	-	(56,552)	171,525	171,525	228,077
	<u>4,000</u>	<u>-</u>	<u>-</u>	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>
	<u>\$ 363,636</u>	<u>\$ 119,482</u>	<u>\$ (80,274)</u>	<u>\$ 402,844</u>	<u>\$ 402,844</u>	<u>\$ 363,636</u>

10. Long-Term Debt

	<u>2016</u>	<u>2015</u>
St. Mary's First Nation		
Loan payable to CIBC in monthly installments of \$1,875 plus interest at prime plus 1%, secured by three buses, due August, 2017.	\$ 18,275	\$ 40,775
Loan payable to Canadian Imperial Bank of Commerce in monthly installments of \$60,906 including principal and interest at 4.65%, secured by a general security agreement and guarantee of St. Mary's Economic Development Corporation, due October 2019. Payments on this loan are made directly by St. Mary's Economic Development Corporation to CIBC.	<u>2,401,371</u>	<u>3,046,040</u>
Carried forward	\$ 2,419,646	\$ 3,086,815

SAINT MARY'S FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

10. Long-Term Debt (cont'd)

	<u>2016</u>	<u>2015</u>
Carried forward	\$ 2,419,646	\$ 3,086,815
Loan payable to Canadian Imperial Bank of Commerce in monthly installments of \$4,633 plus interest at prime plus 1%, secured by a general security agreement and guarantee of St. Mary's Economic Development Corporation, due December 2018. Payments on this loan are made directly by St. Mary's Economic Development Corporation to CIBC.	152,900	208,500
Loan payable to Canadian Imperial Bank of Commerce in monthly installments of \$3,333 plus interest at prime plus 1%, secured by a general security agreement and guarantee of St. Mary's Economic Development Corporation, due December 2019. Payments on this loan are made directly by St. Mary's Economic Development Corporation to CIBC.	150,000	190,000
Mortgage payable to CIBC Mortgage Corporation including interest at 5.19%, secured by a 4 unit rental property, due May 2016.	40,150	46,867
Loan payable to Ally Credit Canada Ltd. in monthly installments of \$407 including principal and interest at 5.74%, secured by a vehicle, due June 2017.	33,030	10,281
Loans payable to Canadian Imperial Bank of Commerce in monthly installments totalling \$7,887 including interest at 4.59%, secured by 14 houses, due August 2019.	1,362,339	1,394,249
Loans payable to Canadian Imperial Bank of Commerce in monthly installments totalling \$4,384 including interest at 3.99%, secured by 8 houses, due April 2021.	825,872	-
Loan payable to Canadian Imperial Bank of Commerce, monthly payments yet to be determined, bearing interest at prime + 1%, secured by certain property and Band Council Resolution.	2,320,119	-
St. Mary's CMHC		
Various mortgages payable to CIBC in monthly installments including interest ranging from 3.15% to 5.19%, secured by houses.	104,614	309,748
Various mortgages payable to CMHC in monthly installments including interest ranging from 1.52% to 3.13%, secured by houses.	8,561,301	8,339,143
St. Mary's Leasing Company Ltd.		
Loan payable to Peace Hills Trust in monthly installments of \$36,447 plus interest at prime plus 2%, secured by first ranking general security agreement over borrower's present and future property, mortgage of leasehold interest, demand promissory note, and guarantee and postponement of claims of Saint Mary's Leasing Company Ltd., due July 2018.	<u>1,051,172</u>	<u>1,416,558</u>
Carried forward	\$17,021,143	\$15,002,161

SAINT MARY'S FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

10. Long-Term Debt (cont'd)

	<u>2016</u>	<u>2015</u>
Carried forward	\$17,021,143	\$15,002,161
Less current portion	<u>1,887,492</u>	<u>1,752,305</u>
	<u>\$15,133,651</u>	<u>\$13,249,856</u>

Assuming the mortgages are renewed on comparable terms, the principal portion of long term debt expected to become due in each of the next five years is as follows:

2017	\$ 1,887,492
2018	2,011,484
2019	1,922,458
2020	2,684,904
2021	1,665,405

11. Financial Instruments

Saint Mary's First Nation is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the company's risk exposure and concentration as of March 31, 2016.

Liquidity Risk

Liquidity Risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The company is exposed to this risk mainly in respect of its payment of funds for accounts payable and long term debt.

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. In seeking to minimize the risks from interest rate fluctuations, the entity manages exposure through its normal operating and financing activities. Saint Mary's First Nation is exposed to interest rate risk primarily through floating interest rates on certain bank loans.

SAINT MARY'S FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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12. Trust Funds Held by Federal Government

Trust fund accounts 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.

	Opening Balance	Additions	Withdrawals	Closing Balance	2016 Total	2015 Total
Revenue	\$ 2,753	\$ 92	\$ -	\$ 2,845	\$ 2,845	\$ 2,753
Capital	1,555	-	-	1,555	<u>1,555</u>	<u>1,555</u>
Fund Total					<u>\$ 4,400</u>	<u>\$ 4,308</u>

13. Investment in Government Business Enterprises

The commercial enterprises that are included in the First Nation reporting entity, as described in note 2 - Principles of Consolidation to these financial statements includes:

- Retail Sales Program Operation - fully consolidated.
- Saint Mary's Leasing Company Ltd. - fully consolidated.
- Saint Mary's Economic Development Corporation (SMEDC) - modified equity.

The following table presents condensed financial information for these commercial enterprises.

	Retail Sales				2016	2015
	Program Operation	Saint Mary's Leasing Company	SMEDC		Total	Total
Cash	\$ 4,003,551	\$ 71,089	\$ 1,847,842	\$ 5,922,482	\$ 4,503,940	
Accounts receivable	839,765	3,568	343,509	1,186,842	1,023,051	
Inventory	1,019,720	-	23,755	1,043,475	1,004,969	
Tangible capital assets	2,379,741	3,708,313	2,615,157	8,703,211	9,086,462	
Other assets	<u>2,994.054</u>	<u>37,778</u>	<u>758,265</u>	<u>3,790,097</u>	<u>4,041.895</u>	
Total assets	<u>\$ 11,236,831</u>	<u>\$ 3,820,748</u>	<u>\$ 5,588,528</u>	<u>\$ 20,646,107</u>	<u>\$ 19,660,317</u>	
Accounts payable	\$ 1,062,631	\$ 30,232	\$ 343,378	\$ 1,436,241	\$ 1,297,658	
Long-term debt	-	1,051,172	2,160,899	3,212,071	3,933,340	
Other liabilities	<u>171,525</u>	<u>3,421,625</u>	<u>766,130</u>	<u>4,359,280</u>	<u>4,409.693</u>	
Total liabilities	<u>1,234,156</u>	<u>4,503,029</u>	<u>3,270,407</u>	<u>9,007,592</u>	<u>9,640,691</u>	
Equity	<u>8,949,413</u>	<u>(682,281)</u>	<u>2,318,121</u>	<u>10,585,253</u>	<u>10,019,626</u>	
Total Liabilities and Equity	<u>\$ 10,183,569</u>	<u>\$ 3,820,748</u>	<u>\$ 5,588,528</u>	<u>\$ 19,592,845</u>	<u>\$ 19,660,317</u>	
Revenue	<u>\$ 35,487,418</u>	<u>\$ 758,027</u>	<u>\$ 50,992,039</u>	<u>\$ 87,237,484</u>	<u>\$ 87,857,533</u>	
Expenses	33,974,829	772,325	50,169,567	84,916,721	86,504,346	
Debt servicing	2,206	90,996	151,551	244,753	264,218	
Total Expenses	<u>33,977,035</u>	<u>863,321</u>	<u>50,321,118</u>	<u>85,161,474</u>	<u>86,768,564</u>	
Net Income (Loss)	<u>\$ 1,510,383</u>	<u>\$ (105,294)</u>	<u>\$ 670,921</u>	<u>\$ 2,076,010</u>	<u>\$ 1,088,969</u>	

SAINT MARY'S FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

13. Investment in Government Business Enterprises (cont'd)

Contractual obligations and contingencies to be disclosed:

Saint Mary's Economic Development Corporation

Saint Mary's Economic Development Corporation is contingently liable for guaranteed loans of \$2,704,271 on debt owing from Saint Mary's First Nation to Canadian Imperial Bank of Commerce. The loans guaranteed are supported by general security agreements.

Retail Sales Program Operation

Saint Mary's First Nation Retail Sales Program Operation has entered into supply agreement with its most significant supplier as follows:

- Agreement reached in principle, but not yet signed, with TRA Atlantic to purchase virtually all merchandise for sale in the Saint Mary's Grocery Store for a fifteen year period ending May, 2018.

14. Reconciliation of Indigenous and Northern Affairs Canada (INAC) Funding

	<u>2016</u>	<u>2015</u>
INAC Funding per Financial Statements	\$ 11,835,584	\$ 11,440,788
Less: prior year deferred revenue in revenue	(23,721)	(67,160)
Add: current year deferred revenue	-	76,360
Add: Prevention/Least Disruptive Measures - 02388	-	-
 Total AANDC funding per consolidated financial statements	<u>\$ 11,811,863</u>	<u>\$ 11,449,988</u>
 Funding per AANDC revenue confirmation	<u>\$ 11,811,863</u>	<u>\$ 11,449,988</u>

15. Inventory For Resale

	<u>2016</u>	<u>2015</u>
Retail Sales Program Operation	\$ 1,019,720	\$ 979,114

16. Changes In Non-Cash Operating Working Capital

	<u>2016</u>	<u>2015</u>
Accounts receivable	\$ (51,953)	\$ (112,314)
Due from government and government organizations	500,998	(1,014,132)
Inventory	(40,606)	(56,279)
Prepaid expenses	(402,785)	(155,672)
Accounts payable	297,318	836,542
Due to government and government organizations	10,450	(2,031)
Deferred revenue	<u>39,208</u>	<u>(12,787)</u>
 	 \$ 352,630	 \$ (516,673)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

17. Expenses by Object

The following is a summary of expenses by object:

	<u>2016</u>	<u>2015</u>
Salaries, wages, honoraria and pension	\$ 4,723,177	\$ 4,335,056
Tuition	2,428,670	2,443,213
Professional services	75,078	55,309
Supplies and services	390,163	308,690
Interest and bank charges	38,179	29,041
Travel and training	103,251	125,349
Insurance & health	151,505	157,423
Telephone, utilities, and occupancy costs	198,137	208,340
Repairs and maintenance	711,982	651,597
Social assistance and assisted living	2,799,762	3,065,175
Royalty distributions	3,472,078	3,268,992
Gaming payouts	2,234,320	1,869,449
Other	9,116,304	7,674,286
Retail sales program	33,801,074	34,514,356
Leasing company	708,808	574,473
Amortization	<u>1,114,324</u>	<u>1,028,487</u>
	<u><u>\$ 62,066.812</u></u>	<u><u>\$ 60,309.236</u></u>

**SAINT MARY'S FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016**

19. Segment Disclosure

St. Mary's First Nation provides a range of services to its members. For management reporting purposes, operations and activities are organized by departments. For each department the segment revenue and expenses includes both directly attributable amounts and overheads that are allocated on a reasonable basis. The presentation by segment is based on the same accounting policies as described in the summary of Significant Accounting Policies as described in Note 2. The segment results for the period are as follows:

	Education		Health		Economic Development		Housing		Community Services	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues										
Federal Government	\$ 4,132,442	\$ 4,146,883	\$ 1,304,763	\$ 1,272,358	\$ 451,525	\$ 453,515	\$ 1,636,230	\$ 1,756,203	\$ 333,675	\$ 331,629
Provincial Government	233,500	230,558	-	-	750,953	735,800	-	-	-	-
Economic Activities	-	-	-	-	43,593,613	43,030,599	-	-	-	-
Net income (loss) from investment in St. Mary's Economic Development Corporation	99,585	79,020	33,400	15,295	670,921	(37,120)	164,323	120,905	57,591	60,241
Total Revenues	4,465,527	4,456,461	1,338,163	1,287,753	45,861,775	44,787,432	1,800,553	1,877,108	391,266	391,870
Expenses										
Salaries and Benefits	1,387,360	1,326,977	-	-	-	-	88,971	83,422	295,357	272,893
Amortization	58,409	53,138	34,085	34,085	330,474	358,459	567,789	468,099	26,547	24,512
Debt Servicing	1,222	2,189	-	-	-	-	-	-	-	-
Other Expenses	2,850,150	2,844,846	1,252,625	1,175,424	43,004,513	42,455,142	1,816,502	1,712,642	451,618	479,541
Total Expenses	4,297,141	4,227,150	1,286,710	1,209,509	43,334,987	42,813,601	2,473,262	2,264,163	773,522	776,946
Annual Surplus (Deficit)	\$ 168,386	\$ 229,311	\$ 51,453	\$ 78,244	\$ 2,526,788	\$ 1,973,831	\$ (672,709)	\$ (387,055)	\$ (382,256)	\$ (385,076)

19. Segment Disclosure (continued)

	Social Services		Band Government		Other		Consolidated Totals	
	2016	2015	2016	2015	2016	2015	2016	2015
Revenues								
Federal Government	\$ 5,936,488	\$ 5,525,233	\$ 1,038,869	\$ 972,753	\$ 580,568	\$ 656,914	\$ 15,414,560	15,115,487
Provincial Government	-	-	189,035	72,310	-	-	1,173,488	1,038,668
Economic Activities	-	-	-	-	2,348,448	1,875,815	45,942,061	44,906,414
Net income (loss) from investment in St. Mary's Economic Development Corporation	-	-	-	-	-	-	-	-
Other Revenue	72,634	65,491	617,390	195,982	-	-	670,921	(37,120)
Total Revenues	6,009,122	5,590,723	1,845,294	1,241,045	2,929,016	2,532,729	64,640,716	62,165,121
Expenses								
Salaries and benefits	471,833	336,189	1,006,636	978,093	1,037,246	824,287	4,287,403	3,821,862
Amortization	-	-	-	-	97,690	90,864	1,114,994	1,029,157
Debt Servicing	4,194,612	4,187,832	1,724,599	1,260,012	1,368,247	1,243,762	37,788	28,749
Other Expenses	-	-	36,566	26,560	-	-	56,662,866	55,359,199
Total Expenses	4,666,445	4,524,021	2,767,801	2,264,665	2,503,183	2,158,913	62,103,051	60,238,967
Annual Surplus (Deficit)	\$ 1,342,677	\$ 1,066,702	\$ (922,507)	\$ (1,023,620)	\$ 425,833	\$ 373,816	\$ 2,537,665	\$ 1,926,154

SAINT MARY'S FIRST NATION
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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20. Government Transfers

	2016			2015		
	Operating	Capital	Total	Operating	Capital	Total
Federal Government Transfers						
Aboriginal Affairs and Northern Development Canada	\$ 11,835,584	\$ -	\$ 11,835,584	\$ 11,135,084	\$ 305,704	\$ 11,440,788
Health Canada	1,307,151	-	1,307,151	1,400,181	-	1,400,181
Canadian Mortgage and Housing Corporation	378,830	-	378,830	406,131	-	406,131
Department of Fisheries and Oceans	329,620	216,948	546,568	429,131	159,783	588,914
Aboriginal Skills and Employment Training Strategies	479,325	-	479,325	467,416	-	467,416
RRAP	36,400	-	36,400	31,129	-	31,129
Total Federal Government Transfers	14,366,910	216,948	14,583,858	13,869,072	465,487	14,334,559
Provincial Government Transfers	780,435	-	780,435	762,289	-	762,289
	\$ 15,147,345	\$ 216,948	\$ 15,364,293	\$ 14,631,361	\$ 465,487	\$ 15,096,848