

**SAINT MARY'S FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018**

SAINT MARY'S FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

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SAINT MARY'S FIRST NATION

MARCH 31, 2018

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Saint Mary's First Nation are the responsibility of management and have been approved by Chief and Council.

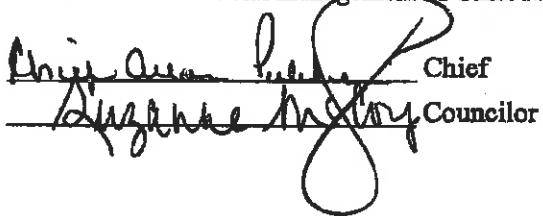
These consolidated financial statements have been prepared by management in accordance with the Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada and as such include amounts that are the best estimates and judgements of management.

Management is responsible for the integrity and objectivity of these statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The First Nation Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and is ultimately responsible for reviewing and approving the consolidated financial statements.

The First Nation Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the consolidated financial statements and the external auditor's report.

The external auditors, Teed Saunders Doyle & Co., conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of Saint Mary's First Nation and meet when required.


Chief
Councilor

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, 2018, 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 controls 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 controls. 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, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

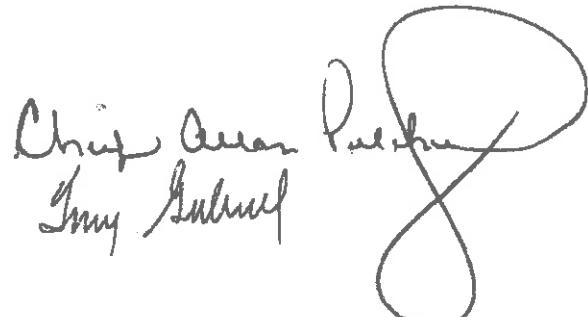
Teed Saunders Doyle

Fredericton, New Brunswick
September 27, 2018

CHARTERED PROFESSIONAL ACCOUNTANTS

SAINT MARY'S FIRST NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2018

	<u>2018</u>	<u>2017</u>
FINANCIAL ASSETS		
Cash (note 3)	\$ 19,752,085	\$ 16,427,172
Restricted cash (note 3)	99,145	90,168
Accounts receivable (note 4)	1,524,040	1,214,143
Due from government and government organizations (note 5)	2,687,506	2,126,503
Investment in Saint Mary's Economic Development Corporation (note 13)	3,632,115	2,826,755
Inventory for resale (note 15)	1,210,703	1,320,977
Funds held in trust (note 12)	6,108	5,987
Loans receivable (note 7)	<u>1,207,859</u>	<u>1,976,090</u>
Total financial assets	<u>30,119,561</u>	<u>25,987,795</u>
LIABILITIES		
Accounts payable and accrued liabilities	7,791,353	7,136,772
Due to government and government organizations (note 8)	2,168,442	2,276,569
Deferred revenue (note 9)	2,777,868	759,401
Long-term debt (note 10)	<u>18,441,459</u>	<u>17,773,270</u>
Total liabilities	<u>31,179,122</u>	<u>27,946,012</u>
NET FINANCIAL ASSETS (NET DEBT)	<u>(1,059,561)</u>	<u>(1,958,217)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (note 6)	38,307,692	36,495,123
Prepaid expenses	<u>71,755</u>	<u>374,674</u>
Total non-financial assets	<u>38,379,447</u>	<u>36,869,797</u>
ACCUMULATED SURPLUS	<u>\$ 37,319,886</u>	<u>\$ 34,911,580</u>


 Tony Gobin

SAINT MARY'S FIRST NATION
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2018

	<u>2018</u> <u>Budget</u>	<u>2018</u> <u>Actual</u>	<u>2017</u> <u>Actual</u>
Revenue			
Indigenous and Northern Affairs Canada (note 14)	\$ 10,670,901	\$ 13,113,517	\$ 12,981,639
Department of Fisheries and Oceans Canada	588,914	558,603	550,117
Canada Mortgage and Housing Corporation		982,875	1,051,729
Retail Sales Program Operation	41,932,658	37,355,453	36,374,132
Province of New Brunswick	60,000	833,255	1,021,334
Leasing Company	656,279	787,917	752,259
Net income (loss) from investment in Saint Mary's Economic Development Corporation		805,361	508,635
First Nations Aboriginal Skills and Employment Strategies	450,033	598,642	529,092
Other	7,737,328	8,656,195	9,512,733
Logging	600,000	1,411,282	760,713
Health Canada	<u>1,288,385</u>	<u>1,365,949</u>	<u>1,343,115</u>
	<u>63,984,498</u>	<u>66,469,049</u>	<u>65,385,498</u>
Expenses			
Band Support	1,856,943	2,761,999	3,029,945
Child and Family Services	1,373,931	2,838,245	2,690,011
Economic Development	172,323	159,085	73,556
Adult Care Services	80,430	87,020	47,545
Fisheries - DFO - AICFI	243,070	77,293	90,489
Band School	1,964,271	2,420,363	2,357,863
Community Public Works	601,200	578,242	536,923
Fisheries - AFS	299,500	229,937	272,203
Fisheries - Other seafood	185,001	344,765	506,723
Fisheries - Lobster	702,740	1,054,212	972,069
Own Source Programs	6,816,441	5,821,929	7,756,289
Housing Fund	412,562	794,563	744,232
Social Assistance Fund	158,500	2,459,677	2,471,512
Post Secondary Education	3,043,312	2,692,013	2,814,563
First Nations ASETS	452,525	570,842	501,292
Health	1,305,754	1,663,420	1,373,182
Forestry	542,356	1,188,101	524,594
Retail Sales Program Operation	40,963,904	35,316,624	34,107,244
Leasing Company	656,279	661,057	642,999
CMHC Housing	-	487,554	535,319
	<u>61,831,042</u>	<u>62,206,941</u>	<u>62,048,553</u>
Annual Surplus (Deficit) before other expense	2,153,456	4,262,108	3,336,945
Other Expense			
Amortization	1,870,402	1,853,802	1,686,807
Surplus	283,054	2,408,306	1,650,138
Accumulated Surplus - Beginning of Year	<u>34,911,580</u>	<u>34,911,580</u>	<u>33,261,442</u>
Accumulated Surplus - End of Year	<u>\$ 35,194,634</u>	<u>\$ 37,319,886</u>	<u>\$ 34,911,580</u>

SAINT MARY'S FIRST NATION

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (NET DEBT)
FOR THE YEAR ENDED MARCH 31, 2018

	<u>2018</u> <u>Actual</u>	<u>2017</u> <u>Actual</u>
Annual Surplus For The Year	\$ 2,408,306	\$ 1,650,138
Acquisition of tangible capital assets	(3,666,371)	(5,697,561)
Amortization of capital assets	1,853,802	1,686,807
Decrease (increase) in prepaid expenses	<u>302,919</u>	<u>266,661</u>
	<u>(1,509,650)</u>	<u>(3,744,093)</u>
(Increase) Decrease In Net Debt	898,656	(2,093,955)
Net Financial Assets (Net Debt) - Beginning Of Year	(1,958,217)	135,738
Net Financial Assets (Net Debt) - End Of Year	<u>\$(1,059,561)</u>	<u>\$(1,958,217)</u>

SAINT MARY'S FIRST NATION
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2018

	<u>2018</u> <u>Actual</u>	<u>2017</u> <u>Actual</u>
Cash Provided By (Required For):		
Operating Activities		
Annual Surplus For The Year	\$ 2,408,306	\$ 1,650,138
Item not affecting cash		
Amortization	<u>1,853,802</u>	<u>1,686,807</u>
	4,262,108	3,336,945
Changes in non-cash operating working capital (note 16)	<u>2,107,216</u>	<u>2,583,792</u>
	<u>6,369,324</u>	<u>5,920,737</u>
Investing Activities		
Additions to tangible capital assets	(3,666,371)	(5,697,561)
Repayment of loan receivable	768,231	728,181
Investment in Saint Mary's Economic Development Corporation	<u>(805,361)</u>	<u>(508,635)</u>
	<u>(3,703,501)</u>	<u>(5,478,015)</u>
Financing Activities		
Repayment of long-term debt	(1,634,219)	(1,951,114)
Proceeds from long-term debt	<u>2,302,407</u>	<u>2,703,242</u>
	<u>668,188</u>	<u>752,128</u>
Increase In Cash During The Year	3,334,011	1,194,850
Cash Position At Beginning Of Year	<u>16,523,327</u>	<u>15,328,477</u>
Cash Position At End Of Year	<u>\$ 19,857,338</u>	<u>\$ 16,523,327</u>
 Cash consists of:		
Cash	\$19,752,085	\$16,427,172
Restricted cash	99,145	90,168
Funds held in trust	<u>6,108</u>	<u>5,987</u>
	<u>\$19,857,338</u>	<u>\$16,523,327</u>

SAINT MARY'S FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

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 Chartered Professional Accountants Canada.

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, 2018

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, 2018

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, 2018

2. Significant Accounting Policies (cont'd)

Use of Estimates

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>2018</u>	<u>2017</u>
Externally restricted		
Moveable assets reserve	\$ 99,145	\$ 90,168
Trust funds held by federal government	<u>6,108</u>	<u>5,987</u>
	<u>105,253</u>	<u>96,155</u>
Unrestricted		
Operating	18,311,824	14,999,779
Guaranteed investment certificates	<u>1,440,261</u>	<u>1,427,393</u>
	<u>19,752,085</u>	<u>16,427,172</u>
Total Cash	<u>\$ 19,857,338</u>	<u>\$ 16,523,327</u>

4. Accounts Receivable

	<u>2018</u>	<u>2017</u>
Due from members:		
Loans	<u>\$ 148,915</u>	<u>\$ 109,803</u>
Due from others:		
Forestry	70,920	17,555
Retail Sales Program	<u>1,026,517</u>	<u>958,604</u>
Other (net of allowance for doubtful accounts)	<u>277,688</u>	<u>128,181</u>
	<u>1,375,125</u>	<u>1,104,340</u>
Total Accounts Receivable	<u>\$ 1,524,040</u>	<u>\$ 1,214,143</u>

SAINT MARY'S FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

5. Due From Government and Government Organizations

	2018	2017
Indigenous and Northern Affairs Canada (2017 - 2018)	\$ 346,731	\$ -
Indigenous and Northern Affairs Canada (2016 - 2017)	-	241,001
Province of New Brunswick, DFO And Other Funding Agencies	1,999,712	1,685,486
Canada Revenue Agency - HST	56,810	33,572
Human Resources and Social Development Canada	20,000	8,010
Health Canada	<u>264,253</u>	<u>158,434</u>
	<u><u>\$ 2,687,506</u></u>	<u><u>\$ 2,126,503</u></u>

SAINT MARY'S FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

6. **Tangible Capital Assets**

	Cost					Accumulated Amortization			Net Book Value	
	Opening Balance	Additions	Disposals	Transfers of Assets	Closing Balance	Opening Balance	Amortization	Closing Balance	Total 2018	Total 2017
Tangible Capital Assets										
Commercial Land	\$ 642,073			\$ 642,073		\$ 642,073		\$ 642,073	\$ 642,073	\$ 642,073
Residential Land	1,688,637			\$ 1,688,637		\$ 1,688,637		\$ 1,688,637	\$ 1,688,637	\$ 1,688,637
Commercial buildings	10,181,691	363,870		\$ 10,545,561	4,872,053	\$ 298,722	5,170,775	\$ 5,374,786	\$ 5,309,638	
Residential buildings	37,184,114	7,451,232		\$ 44,238,353	14,933,259	\$ 1,239,044	16,232,203	\$ 28,006,050	\$ 22,190,855	
Roads	644,006			\$ 644,006	521,903	\$ 31,915	552,918	\$ 91,988	\$ 123,003	
Furniture and fixtures	2,191,289	12,427		\$ 2,203,716	76,858	\$ 1,823,023	\$ 380,693	\$ 445,124		
Vehicles	821,332	53,000		\$ 874,332	774,321	\$ 21,931	793,352	\$ 47,011		
Computer equipment	126,712	3,629		\$ 130,341	118,615	\$ 5,581	124,196	\$ 6,145	\$ 8,097	
Leasedhold improvements	94,911	63,412		\$ 158,323	58,124	\$ 58,124	\$ 100,199	\$ 36,787		
Assets under construction	4,480,619	26,895		\$ 4,480,620	26,894	\$ 26,894	\$ 26,894	\$ 4,480,619		
Other equipment	6,380,129	569,519		\$ 6,949,648	4,856,850	\$ 180,651	5,037,501	\$ 1,912,147	\$ 1,523,279	
Total	\$ 64,435,513	\$ 8,544,044	\$ -	\$ 4877,673	\$ 63,101,884	\$ 27,940,790	\$ 1,853,802	\$ 23,794,192	\$ 38,307,692	\$ 36,495,123

SAINT MARY'S FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

7. Loans Receivable

	<u>2018</u>	<u>2017</u>
Loan receivable from Saint Mary's Economic Development Corporation in monthly installments of \$60,906 including principal and interest at 4.6%, 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.	\$ 1,106,159	\$ 1,768,790
Loan receivable from Saint Mary's Economic Development Corporation in monthly installments of \$5,000 plus interest at prime plus 1%, due March 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.	60,000	110,000
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>41,700</u>	<u>97,300</u>
	1,207,859	1,976,090
Less current portion	<u>770,588</u>	<u>750,588</u>
	<u>\$ 437,271</u>	<u>\$ 1,225,502</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 two years is as follows:

2019	\$ 770,588
2020	437,271

SAINT MARY'S FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

8. Due to Government and Government Organizations

	2018	2017
Canada Revenue Agency - Payroll	\$ 14,355	\$ 65,097
Indigenous and Northern Affairs Canada	<u>2,154,087</u>	<u>2,211,472</u>
	<u><u>\$ 2,168,442</u></u>	<u><u>\$ 2,276,569</u></u>

9. Deferred Revenue

	Opening Balance	Funding Received	Revenue Recognized	Closing Balance	2018	2017
Consultation Sisson Project Program	\$ 140,107	\$ 131,087	\$ -	\$ 271,194	\$ 271,194	\$ 140,107
Child & Family CHMES - Playground Fund	264,058	188,680	-	452,738	452,738	264,058
Health	39,740	-	-	39,740	39,740	39,740
Retail	147,561	1,255,000	(120,000)	1,282,561	1,282,561	147,561
ASETS	132,957	28,797	(28,225)	133,529	133,529	132,957
Other	34,978	51,011	(34,978)	51,011	51,011	34,978
	<u>—</u>	<u>47,095</u>	<u>—</u>	<u>47,095</u>	<u>47,095</u>	<u>—</u>
	<u><u>\$ 759,401</u></u>	<u><u>\$ 2,201,670</u></u>	<u><u>\$ (183,203)</u></u>	<u><u>\$ 2,777,868</u></u>	<u><u>\$ 2,777,868</u></u>	<u><u>\$ 759,401</u></u>

10. Long-Term Debt

	2018	2017
St. Mary's First Nation		
Loan payable to Canadian Imperial Bank of Commerce in monthly installments of \$60,906 including principal and interest at 4.6%, 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.	1,106,159	1,768,790
Carried forward	\$ 1,106,159	\$ 1,768,790

SAINT MARY'S FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2018

10. Long-Term Debt (cont'd)

	<u>2018</u>	<u>2017</u>
Carried forward	\$ 1,106,159	\$ 1,768,790
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.	41,700	97,300
Loan payable to Canadian Imperial Bank of Commerce in monthly installments of \$5,000 plus interest at prime plus 1%, secured by a general security agreement and guarantee of St. Mary's Economic Development Corporation, due March 2019. Payments on this loan are made directly by St. Mary's Economic Development Corporation to CIBC.	60,000	110,000
Mortgage payable to CIBC Mortgage Corporation including interest at 4.79%, secured by a 4 unit rental property, due May 2021.	26,253	33,135
Loan payable to Ally Credit Canada Ltd. in monthly installments of \$407 including principal and interest at 5.74%, secured by a vehicle, was repaid on June 2017.	20,406	26,812
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.	1,318,403	1,328,945
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.	793,785	807,302
Loan payable to Canadian Imperial Bank of Commerce in monthly installments of \$30,557 plus interest at prime plus 1%, secured by certain property and Band Council Resolution.	3,980,538	4,347,217
Loans payable to Canadian Imperial Bank of Commerce in monthly installments totalling \$4,563 plus interest at 4.00%, secured by 8 houses, due June, 2022.	824,959	
St. Mary's CMHC		
Various mortgages were repaid to CIBC in monthly installments including interest ranging from 3.15% to 5.19%, secured by houses.	~	12,713
Various mortgages payable to CMHC in monthly installments including interest ranging from 1.52% to 3.13%, secured by houses.	10,014,541	8,579,596

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10. Long-Term Debt (cont'd)

	<u>2018</u>	<u>2017</u>
Carried forward	18,186,744	17,111,810
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>254,715</u>	<u>661,460</u>
	<u>\$18,441,459</u>	<u>\$17,773,270</u>
Less current portion	<u>2,025,710</u>	<u>2,025,033</u>
	<u>\$16,415,749</u>	<u>\$15,748,237</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:

2019	\$ 2,025,710
2020	2,704,916
2021	1,730,253
2022	1,008,395
2023	1,490,455

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, 2018.

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.

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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	2018 Total	2017 Total
Revenue	\$ 4,432	\$ 121	\$ -	\$ 4,553	\$ 4,553	\$ 4,432
Capital	1,555	-	-	1,555	1,555	1,555
Fund Total					\$ 6,108	\$ 5,987

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				2018 Total	2017 Total
	Program Operation	Saint Mary's Leasing Company	SMEDC			
Cash	\$ 7,388,484	\$ 23,708	\$ 1,655,037	\$ 9,067,229	\$ 6,843,572	
Accounts receivable	1,026,517	3,035	323,497	1,353,049	1,250,875	
Inventory	1,210,703	-	30,180	1,240,883	1,362,357	
Tangible capital assets	2,121,484	3,557,369	2,437,056	8,115,909	8,326,653	
Other assets	15,971	38,600	1,160,336	1,214,907	1,379,777	
Total assets	\$ 11,763,159	\$ 3,622,712	\$ 5,606,106	\$ 20,991,977	\$ 19,163,234	
Accounts payable	\$ 1,342,021	\$ 34,130	\$ 505,348	\$ 1,881,499	\$ 1,517,782	
Long-term debt	-	254,715	623,608	878,323	2,071,770	
Other liabilities	133,529	4,073,500	845,033	5,052,062	4,701,738	
Total liabilities	1,475,550	4,362,345	1,973,989	7,811,884	8,291,290	
Equity	10,287,609	(739,633)	3,632,117	13,180,093	12,557,173	
Total Liabilities and Equity	\$ 11,763,159	\$ 3,622,712	\$ 5,606,106	\$ 20,991,977	\$ 20,848,463	
Revenue	\$ 37,355,453	\$ 787,917	\$ 52,410,033	\$ 90,553,403	\$ 87,106,505	
Expenses	35,449,740	777,485	51,515,229	87,742,454	84,314,162	
Debt servicing	-	28,711	89,441	118,152	209,291	
Total Expenses	35,449,740	806,196	51,604,670	87,860,606	84,523,453	
Net Income (Loss)	\$ 1,905,713	\$ (18,279)	\$ 805,363	\$ 2,692,797	\$ 2,583,052	

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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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 \$1,207,859 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>2018</u>	<u>2017</u>
INAC Funding per Financial Statements	\$ 13,113,517	\$ 12,981,639
Less: prior year deferred revenue in revenue		(16,875)
Add: current year deferred revenue	<u>188,680</u>	<u>264,058</u>
Total INAC funding per consolidated financial statements	<u>\$ 13,302,197</u>	<u>\$ 13,228,822</u>
Funding per INAC revenue confirmation	<u>\$ 13,302,197</u>	<u>\$ 13,228,822</u>

15. Inventory For Resale

	<u>2018</u>	<u>2017</u>
Retail Sales Program Operation	<u>\$ 1,210,703</u>	<u>\$ 1,320,977</u>

16. Changes In Non-Cash Operating Working Capital

	<u>2018</u>	<u>2017</u>
Accounts receivable	\$ (309,897)	\$ (152,159)
Due from government and government organizations	(561,003)	(218,420)
Inventory	110,274	(301,257)
Prepaid expenses	302,919	266,661
Accounts payable	654,583	368,828
Due to government and government organizations	(108,127)	2,263,582
Deferred revenue	<u>2,018,467</u>	<u>356,557</u>
	<u>\$ 2,107,216</u>	<u>\$ 2,583,792</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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17. Expenses by Object

The following is a summary of expenses by object:

	2018	2017
Salaries, wages, honoraria and pension	\$ 5,694,889	\$ 5,560,177
Tuition	655,424	746,650
Professional services	86,274	58,990
Supplies and services	406,126	482,440
Interest and bank charges	11,158	23,559
Travel and training	98,268	120,111
Insurance & health	184,521	178,528
Telephone, utilities, and occupancy costs	210,832	193,222
Repairs and maintenance	732,080	804,386
Social assistance and assisted living	3,223,801	3,208,054
Royalty distributions	3,520,816	3,415,777
Gaming payouts	2,030,244	1,848,391
Other	9,374,827	10,658,025
Retail sales program	35,316,624	34,107,244
Leasing company	661,057	642,999
Amortization	<u>1,853,802</u>	<u>1,686,807</u>
	<u><u>\$ 64,060,743</u></u>	<u><u>\$ 63,735,360</u></u>

18. Comparative figures

Some of the comparative figures have been reclassified to conform to the current year's presentation.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

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>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>
Revenues					
Yederal Government	\$ 4,785,989	\$ 4,630,215	\$ 1,590,000	\$ 1,367,450	\$ 950,695
Provincial Government	231,117	243,210			765,564
Economic Activities					911,592
Net income (loss) from investment in St. Mary's Economic Development Corporation					43,033,765
Other Revenue	<u>204,487</u>	<u>281,142</u>	<u>805,361</u>	<u>504,635</u>	<u>1,092,005</u>
	<u>462,789</u>	<u>1,092,005</u>	<u>317,805</u>	<u>209,023</u>	
Total Revenues	5,221,593	5,154,567	1,367,450	46,018,174	44,897,574
	1,735,654	1,735,654	2,137,956		
Expenses					
Salaries and benefits	1,757,656	1,455,892			
Debt Servicing					
Other Expenses	3,354,720	3,680,507	1,663,420	1,373,182	42,467,435
Total Expenses	<u>5,112,376</u>	<u>5,136,750</u>	<u>1,663,420</u>	<u>1,373,182</u>	<u>42,529,537</u>
Annual Surplus (Deficit) before other expense	\$ 109,217	\$ 17,817	\$ (73,420)	\$ (5,732)	\$ 3,488,637
	\$ 1,816,194	\$ 453,538	\$ 284,601	\$ (325,186)	\$ (246,462)

19. Segment Disclosure (continued)

	Social Services		Band Government		Other		Consolidated Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Revenues								
Federal Government								
Provincial Government								
Economic Activities								
Net income (loss) from investment in St. Mary's Economic Development Corporation								
Other Revenues								
	6,797,871	\$ 6,417,307	\$ 1,133,738	\$ 4,041	1,192,843	\$ 558,603	\$ 530,117	\$ 17,574,822
					76,152			1,000,722
								17,238,976
								1,231,054
								44,080,336
	205,106	163,809	538,721				803,361	508,635
							1,148,889	2,325,997
Total Revenues	6,797,871	6,622,413	1,301,588	1,807,717	3,464,092	3,059,813	66,469,049	65,385,498
Expenses								
Salaries and benefits								
Debt Servicing								
Other Expenses								
	827,070	906,507	1,242,584	1,074,252	1,013,764	1,179,723	5,076,228	4,801,959
							10,976	23,502
							612,754	57,119,737
								57,223,092
	4,670,852	4,320,489	1,508,439	1,907,542	1,880,545			
Total Expenses	5,297,923	5,226,996	2,761,999	2,999,945	2,894,308	1,792,476	62,206,941	62,048,553
Annual Surplus (Deficit) before other expense	\$ 1,499,949	\$ 1,395,417	\$ (1,460,411)	\$ (1,192,228)	\$ 569,784	\$ 1,267,337	\$ 4,262,108	\$ 3,336,945

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20. Government Transfers

	2018			2017		
	Operating	Capital	Total	Operating	Capital	Total
Federal Government Transfers						
Aboriginal Affairs and Northern Development Canada	\$ 13,113,517		\$ 13,113,517	\$ 12,531,639	\$ 450,000	\$ 12,981,639
Health Canada	1,150,949	215,000	1,365,949	1,343,115		1,343,115
Canadian Mortgage and Housing Corporation	287,026		287,026	310,004		310,004
Department of Fisheries	340,860		340,860	399,495		399,495
Aboriginal Skills and Employment Training Strategies	598,642	217,743	598,642	529,092		529,092
RKA/P	186,906		186,906	125,400		125,400
Total Federal Government Transfers	15,677,900		432,743	16,110,643		15,238,745
Provincial Government Transfers	833,255		833,255	1,021,334		1,021,334
	\$ 16,511,155	\$ 432,743	\$ 16,943,898	\$ 16,260,079	\$ 600,672	\$ 16,860,701