

**MOHAWKS OF THE BAY OF QUINTE  
CONSOLIDATED FINANCIAL STATEMENTS  
AS AT MARCH 31, 2018**



**WILKINSON**  
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**CHARTERED ACCOUNTANTS**

**MOHAWKS OF THE BAY OF QUINTE**  
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**AS AT MARCH 31, 2018**

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## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

March 31, 2018

The accompanying financial statements of the Mohawks of the Bay of Quinte and all the information in this annual report are the responsibility of management and have been approved by the Chief and Chief Administrative Officer on behalf of Council.

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of Chartered Professional Accountants Canada. Financial statements are not precise since they include certain amounts based on estimates and judgments (see Measurement Uncertainty Page 9). When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

The Mohawks of the Bay of Quinte maintain systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the First Nation's assets are appropriately accounted for and adequately safeguarded.

The Mohawks of the Bay of Quinte is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. Council carries out this responsibility.

The Band Council reviews the financial statements and recommends their approval. The 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 annual report, the financial statements and the external auditor's report. Council reports its findings when approving the financial statements for issuance to the Members. Council also considers, for review and approval by the members, the engagement of the external auditors.

The financial statements have been audited by Wilkinson & Company LLP in accordance with Canadian generally accepted auditing standards on behalf of the members. Wilkinson & Company LLP has full and free access to the Band Council.

D. J. Maracle Chief

A. J. Maracle Chief Administrative Officer

## **INDEPENDENT AUDITOR'S REPORT**

To the Chief Council and Band Members of the  
Mohawks of the Bay of Quinte

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Mohawks of the Bay of Quinte as at March 31, 2018 and a summary of significant accounting policies and other explanatory information, consisting of the following:

- (1) Consolidated Funds Statement of Financial Position
- (2) Consolidated Statement of Operations
- (3) Consolidated Statement of Change in Net Assets
- (4) Consolidated Statement of Cash Flows
- (5) Balance Sheet - Band Operations Fund
- (6) Balance Sheet - Housing Fund
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- (17) Statement of Operations - Band Operations Fund
- (18) Statement of Cash Flows - Band Operations Fund
- (19) Statement of Cash Flows - Housing Fund
- (20) Statement of Cash Flows - Turton Penn
- (21) Statement of Cash Flows - Capital Fund
- (22) Statement of Cash Flows - Casino Rama Fund

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of Chartered Professional Accountants Canada 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.

**INDEPENDENT AUDITOR'S REPORT**  
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**Auditor's Responsibility**

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Band's preparation and fair presentation of the 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 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, these financial statements present fairly, in all material respects, the financial position of Mohawks of the Bay of Quinte as at March 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of Chartered Professional Accountants Canada.



BELLEVILLE, Canada  
July 30, 2018

Chartered Professional Accountants  
Licensed Public Accountants

**MOHAWKS OF THE BAY OF QUINTE**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2018**

	<b>2018</b> <b>Consolidated</b> <b>\$</b>	2017 Consolidated \$
<b>FINANCIAL ASSETS</b>		
Cash - Note 4	12,278,073	8,858,430
Marketable securities - Note 5	11,021,352	10,640,174
Accounts receivable - Note 6	23,773,924	21,826,365
Due from Ernestown LP, Yaote ET Wind Inc. and Yaote Holdings Limited - Note 7	96,929	164,343
Funds held in trust with Indigenous and Northern Affairs Canada	539,917	523,461
	<u>47,710,195</u>	<u>42,012,773</u>
<b>LIABILITIES</b>		
Community Development Fund - Note 22	2,113,727	1,882,845
Accounts payable and accrued liabilities	2,591,631	2,464,618
Security deposits and prepaids	160,819	164,806
Deferred revenue - Note 10	4,929,211	2,379,504
Mortgage downpayments	22,984	13,943
Loans payable - Note 11 & 12	8,488,274	9,086,824
	<u>18,306,646</u>	<u>15,992,540</u>
<b>NET ASSETS</b>	<u>29,403,549</u>	<u>26,020,233</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets - Note 13	75,402,693	77,178,667
Prepaid expenses and inventories	152,126	220,810
	<u>75,554,819</u>	<u>77,399,477</u>
<b>ACCUMULATED SURPLUS - Note 19</b>	<u>104,958,368</u>	<u>103,419,710</u>
<b>CONTINGENCIES - Note 21</b>		

The accompanying notes form an integral part of these consolidated financial statements



**MOHAWKS OF THE BAY OF QUINTE  
CONSOLIDATED STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED MARCH 31, 2018**

	2018 Actual \$	2017 Actual \$
<b>REVENUES</b>		
Indigenous and Northern Affairs Canada	10,668,033	15,192,516
Health and Welfare	2,625,818	2,529,574
Canada Mortgage and Housing Corporation	264,417	648,162
Kagita Mikam	387,845	352,399
Other contributions from Federal government	210,641	273,133
Contributions from Province of Ontario	3,945,954	3,635,859
Association of Iroquois and Allied Indians	766,235	936,775
County of Hastings	175,549	181,992
Rental income - housing	1,037,152	1,038,214
Rental income - Turton Penn	7,800	8,667
Rental income - operations	142,643	125,443
Interest revenue	1,139,798	1,099,827
Program User Fees/Sales/Insurance Proceeds & other	2,087,454	1,766,416
Rental and lease income - Ottawa trust account	16,456	14,515
Casino Rama - Statement 12	4,103,247	4,179,628
Interest revenue on reserve funds	15,022	10,642
	<b>27,594,064</b>	<b>31,993,762</b>
<b>EXPENSES</b>		
Band operations	19,679,917	17,463,838
Housing projects	1,531,191	1,848,324
Turton Penn	18,606	6,383
Casino Rama - Statement 12	1,688,442	3,088,221
Amortization	3,137,250	2,852,409
	<b>26,055,406</b>	<b>25,259,175</b>
<b>ANNUAL SURPLUS</b>	<b>1,538,658</b>	<b>6,734,587</b>
<b>ACCUMULATED SURPLUS AT BEGINNING OF YEAR</b>	<b>103,419,710</b>	<b>96,685,123</b>
<b>ACCUMULATED SURPLUS AT END OF YEAR</b>	<b>104,958,368</b>	<b>103,419,710</b>

The accompanying notes form an integral part of these consolidated financial statements

**MOHAWKS OF THE BAY OF QUINTE  
CONSOLIDATED STATEMENT OF CHANGE IN NET ASSETS  
FOR THE YEAR ENDED MARCH 31, 2018**

	<b>2018 Actual \$</b>	<b>2017 Actual \$</b>
<b>ANNUAL SURPLUS</b>	<b>1,538,658</b>	6,734,587
Acquisition of tangible capital assets	<b>(1,361,276)</b>	(6,599,151)
Amortization of tangible capital assets	<b>3,137,250</b>	2,852,409
Write-down/disposal of tangible capital assets		27,624
	<b>3,314,632</b>	3,015,469
Increase (decrease) in prepaid expenses and inventories	<b>68,684</b>	(119,107)
<b>INCREASE IN NET ASSETS</b>	<b>3,383,316</b>	2,896,362
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>26,020,233</b>	23,123,871
<b>NET ASSETS AT END OF YEAR</b>	<b>29,403,549</b>	26,020,233

The accompanying notes form an integral part of these consolidated financial statements



**MOHAWKS OF THE BAY OF QUINTE  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED MARCH 31, 2018**

	2018 Actual \$	2017 Actual \$
<b>OPERATING ACTIVITIES</b>		
Annual Surplus	1,538,658	6,734,587
Adjustment for items which do not affect cash -		
Amortization	3,137,250	2,852,409
Interest earned on Reserve Funds	(15,022)	
Loss on write-down of tangible capital assets		27,624
Income earned on trust funds deposited with Indigenous and Northern Affairs Canada	(16,456)	(14,515)
	4,644,430	9,600,105
Net change in non-cash working capital balances related to operations	2,529,660	(3,462,077)
<b>CASH FLOWS PROVIDED FROM OPERATING ACTIVITIES</b>	<b>7,174,090</b>	<b>6,138,028</b>
<b>CAPITAL ACTIVITIES</b>		
Purchase of tangible capital assets	(1,361,276)	(6,599,151)
<b>INVESTING ACTIVITIES</b>		
Decrease (increase) in marketable securities	(381,178)	171,495
Decrease (increase) in loans receivable	(1,413,443)	1,191,919
<b>CASH FLOWS PROVIDED FROM (USED IN) INVESTING ACTIVITIES</b>	<b>(1,794,621)</b>	<b>1,363,414</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds of long-term debt	154,700	
Repayment of long-term debt	(753,250)	(737,007)
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>	<b>(598,550)</b>	<b>(737,007)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS FOR YEAR</b>	<b>3,419,643</b>	<b>165,284</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>8,858,430</b>	<b>8,693,146</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>12,278,073</b>	<b>8,858,430</b>
<b>REPRESENTED BY:</b>		
Cash	12,278,073	8,858,430
<b>SUPPLEMENTAL INFORMATION:</b>		
Interest paid	164,842	186,843

The accompanying notes form an integral part of these consolidated financial statements

**MOHAWKS OF THE BAY OF QUINTE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2018**

**1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES**

These consolidated 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 and include all organizations, operations and activities that are:

- 1) Accountable for the administration of their financial affairs and resources directly to the First Nations; and
- 2) Owned or controlled by the First Nations.

This includes all aspects of the Band's operations including provision of social, educational, administrative and operational services.

**(a) Reporting Entity**

The Tyendinaga Mohawk Council manages the affairs of the Mohawks of the Bay of Quinte located on the Tyendinaga Mohawk Territory.

**(b) Fund Accounting**

The Band uses fund accounting procedures which result in a self-balancing set of accounts for each fund established by legal, contractual or voluntary actions. The various funds have been amalgamated for the purpose of presentation in the consolidated financial statements. Details of the operations of each fund are set out in the supplementary schedules. The Band maintains the following funds:

The *Band Operations Fund* which reports the general activities of the Band's Administration.

The *Housing Fund* which reports the social housing assets of the Band together with related activities.

The *Turton Penn* which reports the activities relating specifically to the Turton Penn property.

The *Capital Fund* which reports the property, plant and equipment of the Band together with their related financing.

The *Trust Fund* which reports on trust funds owned by the Band and held by third parties.

The *Casino Rama Fund* which reports the activities relating specifically to the receipts of funds from the Ontario First Nations Limited Partnership, the subsequent investment income of these funds, and any approved expenditures.

**MOHAWKS OF THE BAY OF QUINTE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2018**

**1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**(c) Reporting Entity and Principles of Financial Reporting**

The Band reporting entity includes the Mohawks of the Bay of Quinte government. These consolidated financial statements do not include entities that receive their own funding from Indigenous and Northern Affairs Canada.

These consolidated financial statements consolidate the assets, liabilities, and results of operations for the following funds that use accounting principles which lend themselves to consolidation:

- Band Operations Fund
- Housing Fund
- Turton Penn
- Capital Fund
- Trust Fund - Funds on Deposit with Indigenous and Northern Affairs Canada
- Casino Rama Fund

All inter-fund balances have been eliminated on consolidation, but in order to present the results of operations for each specific fund, transactions amongst funds have not necessarily been eliminated on the individual schedules.

**(d) Measurement Uncertainty**

In preparing the consolidated financial statements for the Mohawks of the Bay of Quinte, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the year. Significant items subject to such estimates and assumptions include valuation of accounts receivable, inventories and the estimated useful life of tangible capital assets. Actual results could differ from those estimates.

**(e) Marketable Securities**

Marketable securities consist primarily of common and preferred shares, government treasury bills and corporate bonds with varying maturities and rates of interest. Marketable securities are carried at the lower of cost and market, where a decline in market value below cost is considered to be other than temporary in nature. Cost is determined on an average cost basis and market value is determined using quoted market prices on a portfolio basis.

**MOHAWKS OF THE BAY OF QUINTE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2018**

**1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**(f) Loans Receivable from Members**

All loans receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They have been classified as accounts receivable.

Loans are initially measured at fair value, net of loan origination fees and inclusive of transaction costs incurred.

Loans are subsequently measured at amortized cost, using the effective interest rate method, less any impairment losses.

Loans are reported at their recoverable amount representing the aggregate amount of principal, less any allowance or provision for impaired loans. Accrued interest is reported separately and is accounted for on the accrual basis for all loans.

If there is objective evidence that an impairment loss on member loans carried at amortized cost has incurred, the amount of the loss is measured as the difference between the loans carrying amount and the present value of expected cash flows discounted at the loans original effective interest rate. Short-term balances are not discounted.

The Band assesses whether objective evidence of impairment exists individually for financial assets that are individually significant.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of impairment loss is recognized in the annual surplus or deficit.

**(g) Non-Financial Assets**

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

**MOHAWKS OF THE BAY OF QUINTE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2018**

**1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**(g) Non-Financial Assets (Cont'd)**

**(i) Tangible Capital Assets**

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost less residual value of the tangible capital assets excluding land and landfill sites are amortized on a straight-line basis over their estimated useful lives as follows:

<b>Asset</b>	<b>Useful Life - Years</b>
Land improvements	15 to 40
Buildings and building improvements	10 to 40
Vehicles	5 to 15
Machinery and equipment	5 to 40
Water/wastewater infrastructure	45 to 75
Streetlights	30
Roads infrastructure	15 to 25
Bridges and major culverts	40

Landfill sites are amortized using the units of production method based upon capacity used during the year.

Annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

**(ii) Contributions of Tangible Capital Assets**

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

**(iii) Natural Resources**

Natural resources that have not been purchased are not recognized as assets in the consolidated financial statements.

**(iv) Works of Art and Cultural and Historic Assets**

Works of art and cultural and historic assets are not recorded as assets in these consolidated financial statements.

**MOHAWKS OF THE BAY OF QUINTE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2018**

**1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**(g) Non-Financial Assets (Cont'd)**

**(v) Leased Tangible Capital Assets**

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

**(h) Inventories**

Inventories are valued at the lower of cost and net realizable value.

When the cost of inventories exceeds the net realizable value, the cost of inventories will be written down to net realizable value. Any such write-downs will be included in the cost of goods sold for the year of the write-down.

If circumstances or events lead to a subsequent increase in the net realizable value of the inventory that was written down, the amount of the write-down will be reversed and will reduce the cost of goods sold for the year of the reversal.

**(i) Revenue Recognition**

The Band follows the deferral method of accounting for contributions which include donations and government grants.

Revenue is recognized as it becomes receivable under terms of the applicable funding agreements. Funding received under the funding arrangements which relates to a subsequent fiscal period is reflected as deferred revenue in the year of receipt.

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 the transfer stipulations give rise to a liability and are recognized as revenue as the stipulation liabilities are settled.

Income from investments is recognized as revenue during the period in which it is earned or becomes payable.

**(j) Reserves**

Reserves represent funds appropriated for general and specific purposes and are charged or credited to operations in the year appropriated or drawn down.

**MOHAWKS OF THE BAY OF QUINTE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2018**

**1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**(k) Financial Instruments**

**(i) Measurement of Financial Instruments**

The Band initially measures its financial assets and liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Band subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash, marketable securities, accounts receivable and due from Ernestown LP, Yaote ET Wind Inc. and Yaote Holdings Limited.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and loans payable.

**(ii) Impairment**

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is reflected in the annual surplus (deficit). When events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in the annual surplus (deficit), up to the amount previously recognized as impaired.

**(l) Cash and Equivalents**

Cash and equivalents consist of cash on deposit and bank term deposits in money market instruments with maturity dates of less than three months from the date they are acquired.

**2. FUTURE ACCOUNTING CHANGES**

**PS 3450 - Financial Instruments, PS 3041 - Portfolio Investments, PS 2601 - Foreign Currency Translation & PS 1201 - Financial Statement Presentation**

These Sections will be effective for fiscal years beginning on or after April 1, 2019. The main features of these sections include fair value measurement for derivatives and portfolio investments that are equity instruments quoted in an active market and the presentation of a change in the fair value of a financial instrument within a separate statement of remeasurement gains and losses. There are also greater disclosure requirements required by the Section 3450.



**MOHAWKS OF THE BAY OF QUINTE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2018**

**2. FUTURE ACCOUNTING CHANGES (Cont'd)**

**PS 3320 - Restructuring Transactions**

This Section defines a restructuring transaction and establishes standards for recognizing and measuring assets and liabilities transferred in a restructuring transaction. This Section applies to restructuring transactions occurring in fiscal years beginning on or after April 1, 2018.

**3. ECONOMIC DEPENDENCE**

The Mohawks of the Bay of Quinte receives a substantial portion of its revenues pursuant to a funding agreement with Indigenous and Northern Affairs Canada (formerly Aboriginal Affairs and Northern Development Canada) and Ontario First Nations Limited Partnership, and accordingly, its continued operations are economically dependent on these sources of funding. INAC provided 38.66% of funding in the current year (2017 - 47.49%) and OFNLP provided 13.07% of funding (2017 - 11.11%).

**4. CASH**

Cash is comprised of the following:

	2018 \$	2017 \$
Externally Restricted:		
Housing replacement reserve	1,368,852	1,190,361
Internally Restricted:		
Community Development Fund	1,801,432	1,785,607
Turton Penn/Housing replacement reserve	354,037	292,707
	2,155,469	2,078,314
Unrestricted:		
Operating Fund	1,924,551	111,331
Housing Fund	4,357,904	4,751,444
Turton Penn	422,646	405,017
Casino Rama Fund	2,048,651	321,963
	8,753,752	5,589,755
Total Cash	12,278,073	8,858,430

**MOHAWKS OF THE BAY OF QUINTE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2018**

**5. MARKETABLE SECURITIES**

As set out in Note 1(e), the organization values marketable securities at cost except where there is a decline in market value below cost which is considered to be other than temporary in nature. The cost values and market values of marketable securities as at March 31, 2018 are as follows:

	2018		2017	
	Cost	Market	Cost	Market
	\$	Value	\$	Value
		\$		\$
Equities	2,439,106	3,308,939	2,277,564	3,124,244
Bonds	8,582,246	9,129,968	8,362,610	9,077,343
	<b>11,021,352</b>	<b>12,438,907</b>	<b>10,640,174</b>	<b>12,201,587</b>

**6. ACCOUNTS RECEIVABLE**

Accounts receivable consists of the following:

	2018	2017
	\$	\$
Due from Members:		
Housing loans	18,928,711	17,539,965
Housing loans - Turton Penn	693,455	709,330
Accrued interest - Housing loans	206,264	167,944
Rental arrears	30,201	44,494
Other loans and receivables	465,120	419,744
Other loans and receivables - Turton Penn	1,830	(10,415)
Business loans	5,881	10,686
	<b>20,331,462</b>	<b>18,881,748</b>
Less: Allowance for doubtful accounts	<b>516,212</b>	<b>516,212</b>
	<b>19,815,250</b>	<b>18,365,536</b>
Due from Others:		
Due from Government of Canada	2,931,392	3,085,021
Provincial government	592,528	253,068
Accrued interest receivable	82,128	75,982
Other accounts receivable (net of allowance)	352,626	46,758
	<b>3,958,674</b>	<b>3,460,829</b>
Total Accounts Receivable	<b>23,773,924</b>	<b>21,826,365</b>

**MOHAWKS OF THE BAY OF QUINTE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2018**

**7. DUE FROM ERNESTOWN LP, YAOTE ET WIND INC. AND YAOTE HOLDINGS LIMITED**

Yaote ET Wind Inc. and Yaote Holdings Limited are wholly-owned subsidiaries of the Band which hold an investment in Ernestown LP's wind power project. The assets of the subsidiaries have been consolidated for financial statement purposes and the receivable is an unsecured, non-interest bearing advance without fixed terms of repayment.

Based on the contract between the parties, Ernestown LP will pay Yaote ET Wind Inc. from its profits, in priority to any other distributions to Limited Partners, a cumulative annual distribution of \$50,000, such amount to be payable after payment of indebtedness. In addition to this, Ernestown LP shall pay an annual amount to Yaote ET Wind Inc. from its profits in priority to any other distributions to Limited Partners, after payment of indebtedness, an Overproduction Payment that is not able to be estimated at this time. During the March 31, 2018 year, the Overproduction Payment was \$17,521.

**8. FUNDS HELD IN TRUST WITH INDIGENOUS AND NORTHERN AFFAIRS CANADA**

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. Amounts held are reflected in Statement 5 of these consolidated financial statements.

**9. CREDIT FACILITIES**

The Band has a Demand Loan Revolving Credit Facility whereby it can borrow up to \$500,000 from the Bank of Montreal. Advances exceeding \$250,000 require a specific Mohawk Council Resolution. This credit facility is reduced by the issuance of any letters of credit. At year end, the facility was not being utilized and bank indebtedness is \$Nil.

The Band also has a Demand Term Loan Non-Revolving Credit Facility whereby it can borrow up to \$3,500,000 from the Bank of Montreal to assist with construction of a Fire Hall. The interest rate is to be determined at the time of advance and will be the bank Prime Rate. Repayment terms will be interest only during the first year and maximum term and amortization is one to five years and 240 months respectively. At year end, the funds had not yet been advanced.

**MOHAWKS OF THE BAY OF QUINTE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2018**

**10. DEFERRED REVENUE**

Deferred revenue consists of portions of the following grants from Indigenous and Northern Affairs Canada, the Province of Ontario and others for which the related expenditures were not made in the year ended March 31, 2018.

	2018	2017
	\$	\$
<i>Indigenous and Northern Affairs Canada</i>		
Minor Capital	94,286	
Deseronto Water Treatment Plant	326,035	
Solar Design	40,106	124,194
Water Treatment Plant	788,370	1,041,946
Busing		3,543
Post Secondary	154,306	
Climate Change	110,115	
Child Welfare - Band Rep	347,459	
New Paths	150,000	
Community Centre Upgrades	845,561	
Developing Our Future	238,556	
QMS Instructional	67,146	
Intake Protection Zone	34,357	
Ohahase Instructional	50,174	
Child Welfare	195,623	
Quinte Mohawk School - Capital		29,965
Solar Construction	889,907	889,907
Ohahase	80,959	60,075
Housing Renovations	209,606	
	<b>4,622,566</b>	<b>2,149,630</b>

**MOHAWKS OF THE BAY OF QUINTE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2018**

**10. DEFERRED REVENUE (Cont'd)**

	2018 \$	2017 \$
<i>Others</i>		
CAF - Recreation		2,429
Shelter Fundraising	23,967	7,873
Home & Community Care Donation	220	1,385
Prosper Canada	10,000	10,000
Food Resource Centre	26,530	42,283
Child Welfare/other projects	39,756	44,090
Youth Fundraising	13,977	11,006
Financial Management Board	25,000	25,000
Parrott Foundation - daycare		10,000
Donation to Bear Cubs	5,000	5,000
LHINS Strategy	30,001	30,001
AIAl - Garage	80,000	
AIAl - Healthy Babies/Healthy Children	6,695	6,695
Trillium Funding - Fitness Centre		21,070
Hastings Food for Learning	13,731	11,042
Tyendinaga Coalition for Healthy Lifestyles		2,000
Mirarco Mining	26,768	
Blue Earth Training	5,000	
	<b>306,645</b>	<b>229,874</b>
Total deferred revenue	<b>4,929,211</b>	<b>2,379,504</b>
<b>REPRESENTED BY:</b>		
Housing Fund	209,606	
Band Operations Fund	4,719,605	2,379,504
	<b>4,929,211</b>	<b>2,379,504</b>

**MOHAWKS OF THE BAY OF QUINTE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2018**

**11. LOANS PAYABLE - CAPITAL FUND**

	2018 \$	2017 \$
<i>Capital Fund - CMHC Projects</i>		
Mortgage payable, Canada Mortgage and Housing Corporation - 2.40%, due October, 2018 repayable over 25 years with blended monthly instalments of \$4,179, secured by a guarantee agreement from Indigenous and Northern Affairs Canada.	261,849	305,174
Mortgage payable, Canada Mortgage and Housing Corporation - 1.12%, due February, 2020, repayable over 25 years with blended monthly instalments of \$5,589, secured by a guarantee agreement from Indigenous and Northern Affairs Canada.	435,836	497,660
Mortgage payable, Canada Mortgage and Housing Corporation - 1.11%, due April, 2021, repayable over 25 years with blended monthly instalments of \$2,311, secured by a guarantee agreement from Indigenous and Northern Affairs Canada.	207,981	233,257
Mortgage payable, Canada Mortgage and Housing Corporation - 1.39% due June, 2020, repayable over 25 years with blended monthly instalments of \$4,574, secured by a guarantee agreement from Indigenous and Northern Affairs Canada.	614,223	660,253
Mortgage payable, Canada Mortgage and Housing Corporation - 0.98%, due March, 2020, repayable over 25 years with blended monthly instalments of \$4,788, secured by a guarantee agreement from the Indigenous and Northern Affairs Canada.	899,512	947,911
Mortgage payable, Canada Mortgage and Housing Corporation - 1.67%, due June 2018, repayable over 25 years with blended monthly instalments of \$10,951, secured by a guarantee agreement from the Indigenous and Northern Affairs Canada.	2,254,797	2,347,835
<i>Capital Fund - Administration Building Loan</i>		
Fixed rate term loan agreement with the Bank of Montreal, bearing interest at 2.76%, due October, 2019, repayable over 10 years with blended monthly instalments of principal and interest totalling \$44,149, secured by an assignment of insurance	3,186,105	3,621,463
	<b>7,860,303</b>	<b>8,613,553</b>

**MOHAWKS OF THE BAY OF QUINTE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2018**

**11. LOANS PAYABLE - CAPITAL FUND (Cont'd)**

Principal repayments on these loans over the next three years are as follows:

	\$	
2019	3,147,753	
2020	4,035,719	
2021	676,831	
	<b>7,860,303</b>	
	<b>2018</b>	<b>2017</b>
	\$	\$
Interest expense for the year on long-term debt	164,842	186,843

**12. LOANS PAYABLE - OPERATIONS FUND**

Loans payable within the Operations Fund consist as follows:

	<b>2018</b>	<b>2017</b>
	\$	\$
Government of Canada - Culbertson Loan - original	473,271	473,271
Government of Canada - Culbertson Loan - 17/18 advance	154,700	
	<b>627,971</b>	473,271

**Culbertson Loan**

During a prior year, the Tyendinaga Mohawk Council signed a loan with Indigenous and Northern Affairs Canada with respect to research, development and negotiation costs of its specific claim relating to the Culbertson Land Tract Settlement. During the year, a supplemental loan agreement was signed, with the Band being advanced a further \$154,700. At March 31, 2018, total funds advanced under these loan agreements amounted to \$627,971. The non-interest bearing loans are payable at the earliest of March 31, 2022 or a settlement date.



**MOHAWKS OF THE BAY OF QUINTE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2018**

**13. TANGIBLE CAPITAL ASSETS**

Cost	Balance at March 31, 2017 \$	Additions \$	Disposals/ Transfers \$	Balance at March 31, 2018 \$
Land	1,417,052			1,417,052
Land improvements	6,270,405			6,270,405
Buildings and building improvements	33,858,831	106,356		33,965,187
Vehicles	3,820,831	330,714	79,850	4,071,695
Machinery and equipment	7,167,695	221,724		7,389,419
Water/wastewater infrastructure	7,516,177	28,518,367		36,034,544
Roads infrastructure	31,294,256			31,294,256
Bridges and major culverts	3,088,285			3,088,285
Streetlights	237,762			237,762
Assets under construction	28,453,892	482,721	28,298,606	638,007
<b>Total</b>	<b>123,125,186</b>	<b>29,659,882</b>	<b>28,378,456</b>	<b>124,406,612</b>

  

Accumulated Amortization	Balance at March 31, 2017 \$	Disposals \$	Amortization Expense \$	Balance at March 31, 2018 \$
Land improvements	1,851,037		199,670	2,050,707
Buildings and building improvements	10,126,518		847,070	10,973,588
Vehicles	2,608,615	79,850	339,160	2,867,925
Machinery and equipment	2,780,484		363,366	3,143,850
Water/wastewater infrastructure	2,416,194		422,306	2,838,500
Roads infrastructure	23,843,022		888,905	24,731,927
Bridges and major culverts	2,135,912		68,851	2,204,763
Streetlights	184,737		7,922	192,659
<b>Total</b>	<b>45,946,519</b>	<b>79,850</b>	<b>3,137,250</b>	<b>49,003,919</b>

**MOHAWKS OF THE BAY OF QUINTE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2018**

**13. TANGIBLE CAPITAL ASSETS (Cont'd)**

	Net Book Value March 31, 2018 \$	Net Book Value March 31, 2017 \$
Land	1,417,052	1,417,052
Land improvements	4,219,698	4,419,368
Buildings and building improvements	22,991,599	23,732,313
Vehicles	1,203,770	1,212,216
Machinery and equipment	4,245,569	4,387,211
Water/wastewater infrastructure	33,196,044	5,099,983
Roads infrastructure	6,562,329	7,451,234
Bridges and major culverts	883,522	952,373
Streetlights	45,103	53,025
Assets under construction	638,007	28,453,892
Total	75,402,693	77,178,667

**(a) Assets Under Construction**

Assets under construction having a value of \$638,007 (2017 - \$28,453,892) have not been amortized. Amortization of these assets will commence when the asset is put into service.

**(b) Tangible Capital Assets Disclosed at Nominal Values**

Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value. Land is the only category where nominal values were assigned.

**(c) Works of Art and Historical Treasures**

The Territory manages and controls various works of art and non-operational historical cultural assets including buildings, artifacts, paintings and sculptures located at Territory sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized.

**MOHAWKS OF THE BAY OF QUINTE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2018**

**14. RESERVE FOR BUS REPLACEMENT**

The changes in the reserve for busing during the year are as follows:

	2018 \$	2017 \$
Balance - Beginning of year	195,514	197,626
Add:		
Transfer from school busing - amortization charges	117,735	108,640
	313,249	306,266
Less:		
Transfer to school busing for acquisition of buses	(108,699)	(110,752)
Balance - End of year	204,550	195,514

**15. RESERVE FOR BUILDING REPLACEMENT**

In accordance with an agreement with Canada Mortgage and Housing Corporation relating to the construction of rental housing projects, the Band is required to establish a building replacement reserve in an annual amount of \$82,200 (\$82,200 in 2017). This reserve is comprised of the following:

	2018 \$	2017 \$
Balance - Beginning of year	460,587	383,716
Add:		
Allocation for year	82,200	82,200
Interest	4,780	3,306
	547,567	469,222
Less:		
Approved expenditure		(8,635)
Balance - End of year	547,567	460,587

**MOHAWKS OF THE BAY OF QUINTE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2018**

**16. RESERVE FOR OPERATING SURPLUS**

CMHC Projects - Operating and Maintenance Surplus

This reserve is comprised of the following:

	2018 \$	2017 \$
Balance - Beginning of year	815,761	724,591
Add:		
Interest	7,205	5,181
Due from Housing	106,143	85,989
Balance - End of year	929,109	815,761

**17. RESERVE FOR TURTON AND HOUSING REPLACEMENT**

	2018 \$	2017 \$
Balance - Beginning of year	292,706	242,507
Add:		
Interest	3,038	2,155
Allocation for year	58,700	59,400
	61,738	61,555
Less:		
Due to Housing approved expenditure	NIL	(11,356)
Balance - End of year	354,444	292,706

**18. DISCRETIONARY FUND**

	2018 \$	2017 \$
Balance - Beginning of year	50,126	50,126
No change during year	NIL	NIL
Balance - End of year	50,126	50,126

**MOHAWKS OF THE BAY OF QUINTE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2018**

**19. ACCUMULATED SURPLUS**

	2018 \$	2017 \$
Restricted:		
Equity in CMHC Replacement Reserve Fund	547,567	460,587
Equity in CMHC Operating Reserve Fund	929,109	815,761
	<u>1,476,676</u>	<u>1,276,348</u>
Internally Restricted:		
Equity in Bus Replacement Fund	204,550	195,514
Equity in Discretionary Fund	50,126	50,126
Equity in Housing Replacement Fund	347,758	286,787
Equity in Turton Penn Replacement Fund	6,686	5,919
	<u>609,120</u>	<u>538,346</u>
Unrestricted:		
Equity in Capital Assets Fund	67,542,390	68,565,114
Deficit in Operating Fund	(685,929)	(452,305)
Equity in Housing Fund	21,747,802	21,148,396
Equity in Turton Penn Fund	1,144,645	1,121,129
Equity in Casino Rama Fund	12,583,747	10,699,221
	<u>102,332,655</u>	<u>101,081,555</u>
Equity in Trust Funds held by Federal Government	539,917	523,461
<b>Total Members' Equity</b>	<u><b>104,958,368</b></u>	<u><b>103,419,710</b></u>

**MOHAWKS OF THE BAY OF QUINTE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2018**

**20. FUNDS ON DEPOSIT WITH INDIGENOUS AND NORTHERN AFFAIRS CANADA**

The funds on deposit with Indigenous and Northern Affairs Canada reported in these consolidated financial statements include \$54,098 relating to the Turton Penn lease. Band Council does not recognize the validity of this lease. Under the terms of the Turton Penn lease which began before the turn of the century, certain lands comprising part of the Tyendinaga Mohawk Territory were leased to non-aboriginal people with the consideration consisting of 30 barrels of flour. The funds held by Indigenous and Northern Affairs Canada represent the accumulated monetary value of this commodity. By Mohawk Council Resolution No. 105 dated March 6, 1990, the Tyendinaga Mohawk Council does not recognize the payment of these monies to reinstate the lease to the Mohawks of the Bay of Quinte and are currently in the process of having them deleted from their Ottawa revenue account.

Commencing in 1990, Indigenous and Northern Affairs Canada has provided statements of which Indigenous and Northern Affairs Canada deposited further sums of \$15,811 in a separate account which monies also pertain to the Turton Penn lease. The amounts are not included in these consolidated financial statements as Tyendinaga Mohawk Council does not recognize these monies as funds belonging to the Mohawks of the Bay of Quinte.

Indigenous and Northern Affairs Canada has completed an environmental assessment on the western third of the Turton Penn leasehold area and that portion of Hastings County Road #2 within the eastern two-thirds of the Turton Penn leasehold area. Ontario and Canada must pass required Orders in Council to release \$1.2 million to the INAC Capital trust funds of the Mohawks of the Bay of Quinte.

**21. CONTINGENCIES**

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

As of March 31, 2018, the Band has guaranteed loans totalling \$9,699,832 (principal balance) for housing purposes. All required payments under the loans have been made to date.

As of March 31, 2018, the Band has guaranteed loans totalling \$52,500 (principal balance) for On-Reserve Commercial loans. All required payments under the loans have been made to date.

The Band has been named as a defendant in five lawsuits, the outcomes of which are not determinable at this time, and as such, no estimate can be made with respect to the amount of possible loss.

**MOHAWKS OF THE BAY OF QUINTE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2018**

**22. COMMUNITY DEVELOPMENT FUND UNDER ADMINISTRATION**

	2018 \$	2017 \$
Balance - Beginning of year	1,882,845	1,696,740
Add:		
Cigarette quota - Administration fee	258,124	253,352
Interest	18,119	12,995
	276,243	266,347
Less:		
Expenditures	(45,361)	(80,242)
Balance - End of year	2,113,727	1,882,845

**23. RELATED PARTY TRANSACTIONS**

The Band entered into the following transactions with key management personnel, which are defined by PS 2200, Related Party Disclosures, as personnel that could include:

- directors or members of the governing body of the Band, where that body has authority and responsibility for planning, directing and controlling the activities of the Band; and
- senior management of the entity, including the chief executive or permanent head and senior management group who have the day-to-day responsibility for managing the Band's activities and operations, and who have been delegated authority and executive powers to implement the planning, directing and controlling decisions and initiatives of the governing body.

	2018 \$	2017 \$
<b>Compensation</b>		
Salaries and benefits	607,022	416,334
Pension/CPP	48,538	34,539
Honoraria to Chief and Councillors	158,350	187,063

Amounts owing from and to key management personnel (excluding compensation due and accrued) at March 31, 2018 are \$142,701 (2017 - \$161,725) and \$Nil (2017 - \$Nil) respectively. The amounts owing from related parties are subject to regular payment terms for Band members and are included in accounts receivable.



**MOHAWKS OF THE BAY OF QUINTE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2018**

**24. FINANCIAL RISKS AND CONCENTRATION OF RISK**

The Band has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The risks that arise from transacting financial instruments include credit risk, market (other price) risk, interest rate risk and liquidity risk. Other price risk arises from changes in interest rates, foreign currency exchange rates and market prices.

**Credit Risk**

Credit risk is the risk of financial loss if a debtor fails to make payments of interest and principal when due.

The Band is exposed to this risk relating to its debt holdings in its investment portfolio. This risk is mitigated through the Band's investment policy which follows the investment policy as outlined under the Ontario First Nations Limited Partnership Agreement. All fixed income portfolios are monitored by management on a monthly basis.

Accounts receivable are short-term in nature and are not subject to material credit risk. The maximum exposure to credit risk and concentration of this risk is limited to the carrying value of these instruments.

There have been no significant changes from the previous period in the exposure to risk or policies used to measure risk.

**Market Risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: currency risk, interest rate risk, and equity risk.

The Band's investment policy operates within the guidelines as required by the Ontario First Nations Limited Partnership.

**Currency Risk**

Currency risk relates to the Band operating in different currencies and converting non-Canadian revenue at different points in time at different foreign exchange levels when adverse changes in foreign currency exchange rates occur.

The Band holds marketable securities that are denominated in a foreign currency, and thus is exposed to the financial risk of earnings fluctuations arising from changes in foreign exchange rates and the degree of volatility of these rates. The marketable securities are of a short-term nature and management does not believe they represent a significant risk to the Band. The Band does not currently use derivative instruments to reduce its exposure to foreign currency risk.

There have been no significant changes from the previous period in the exposure to risk or policies, procedures and methods used to measure this risk.

**MOHAWKS OF THE BAY OF QUINTE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**24. FINANCIAL RISKS AND CONCENTRATION OF RISK (Cont'd)**

**Interest Rate Risk**

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates.

The Band is exposed to interest rate risk through its interest-bearing investments. As prevailing interest rates increase or decrease, the market value of the interest-bearing investments will change.

The Band is also exposed to interest rate risk through its credit facility discussed in Note 9 to these consolidated financial statements. As at year end, the interest rate risk from this credit facility is not significant, as it is not being utilized.

The Band is also exposed to interest rate risk on its loans payable with a carrying value of \$7,860,303 (2017 - \$8,613,553), as detailed in Note 11 to these consolidated financial statements. Changes in the market rate of interest will affect the fair market value of the loans payable. This risk is mitigated as the Band's maturity dates on these loans payable are spread out over several years and the Band's intention is to hold these instruments to maturity.

There have been no significant changes from the previous period in the exposure to risk or policies, procedures and methods used to measure the risk.

**Equity Risk**

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Band is exposed to this risk through its equity holdings within its investment portfolio.

The Band's investment policy operates within the guidelines as required by the Ontario First Nations Limited Partnership, which mitigates this risk.

**Liquidity Risk**

Liquidity risk is the risk that the organization will not be able to meet all cash outflow obligations as they come due. The Band mitigates this risk by monitoring cash activities and expected outflows.

There have been no significant changes from the previous period in the exposure to risk or policies, procedures and methods used to measure the risk.

**25. BUDGETED FIGURES**

Unaudited budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the Band.