

**Gull Bay First Nation
Consolidated Financial Statements**
March 31, 2016

Gull Bay First Nation Contents

For the year ended March 31, 2016

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Management's Responsibility

To the Chief and Council and Members of Gull Bay First Nation:

The accompanying consolidated financial statements of Gull Bay First Nation are the responsibility of management and have been approved by the Chief and Council.

The consolidated 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 the Chartered Professional Accountants of Canada and as such include amounts that are the best estimates and judgments 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 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 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, MNP LLP, 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 Gull Bay First Nation and meet when required.


Mark H. Johnson

Councilor

Councilor

Councilor

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Councilor

Councilor

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Councilor

Councilor

John Morris
Waukesha

Independent Auditors' Report

To the Chief and Council and Members of Gull Bay First Nation:

We have audited the accompanying consolidated financial statements of Gull Bay First Nation, which comprise the statement of financial position as at March 31, 2016 and the statements of operations and accumulated surplus, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Basis for Qualified Opinion

The financial statements on Amik Catering Limited Partnership, which are included in these consolidated financial statements using the modified equity method, have not been audited for the year ended March 31, 2016. As we were unable to satisfy ourselves by alternative means concerning the income earned from Amik Catering Limited Partnership, we were unable to obtain sufficient appropriate audit evidence regarding the investment in Amik Catering Limited Partnership at March 31, 2016 and the income earned from Amik Catering Limited Partnership for the year ended March 31, 2016.

The financial statements on Ma'iingan Development LP, which are included in these consolidated financial statements using the modified equity method, have not been audited for the year ended March 31, 2016. As we were unable to satisfy ourselves by alternative means concerning the income earned from Ma'iingan Development LP, we were unable to obtain sufficient appropriate audit evidence regarding the investment in Ma'iingan Development LP at March 31, 2016 and the income earned from Ma'iingan Development LP for the year ended March 31, 2016.

We were unable to obtain sufficient appropriate audit evidence relating to the amounts recorded in social assistance expenses of \$693,040 for the year ended March 31, 2016 because we were not able to access certain financial records to verify these amounts. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

We were unable to obtain band council resolutions for the year ended March 31, 2016.

The First Nation did not prepare budgets, which is not in compliance with Canadian public sector accounting standards.

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of Gull Bay First Nation as at March 31, 2016 and the results of its operations, change in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

MNP LLP

Thunder Bay, Ontario
February 1, 2018

Chartered Professional Accountants
Licensed Public Accountants

Gull Bay First Nation
Consolidated Statement of Financial Position
As at March 31, 2016

2016

2015

Financial assets

Cash resources <i>(Note 3)</i>	356,875	651,194
Restricted cash - OPG settlement	422,541	5,267,534
Accounts receivable <i>(Note 4)</i>	655,488	211,519
Due from government and other government organizations <i>(Note 5)</i>	2,139,233	1,668,549
Due from related parties <i>(Note 6)</i>	5,357	3,930
Investment in government business partnerships <i>(Note 6)</i>	543,250	119,999
Trust funds held by federal government <i>(Note 7)</i>	106,957	104,735

Total financial assets

4,229,701

8,027,460

Liabilities

Accounts payable and accruals <i>(Note 8)</i>	1,830,487	1,078,016
OPG settlement payable	228,547	5,073,743
Deferred revenue <i>(Note 9)</i>	350,147	314,523
Surplus repayable <i>(Note 10)</i>	1,638,690	1,600,955
INAC loan	91,710	-
Long-term debt <i>(Note 11), (Note 19)</i>	8,181,511	7,550,262

Total liabilities

12,321,092

15,617,499

Net debt

(8,091,391)

(7,590,039)

Contingent liabilities *(Note 12)*

Non-financial assets

Tangible capital assets <i>(Schedule 1)</i>	8,656,787	9,224,601
Prepaid expenses	94,642	12,145

Total non-financial assets

8,751,429

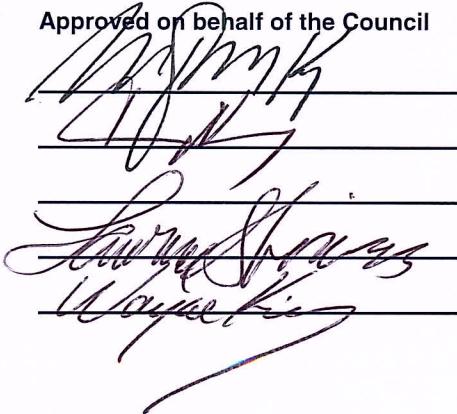
9,236,746

Accumulated surplus

660,038

1,646,707

Approved on behalf of the Council



Chief



Councilor

Councilor



Councilor

Councilor



Councilor

Councilor



Councilor

Gull Bay First Nation
Consolidated Statement of Operations and Accumulated Surplus
For the year ended March 31, 2016

	2016	2015
Revenue		
Indigenous and Northern Affairs Canada (Note 15)	1,930,100	2,319,698
Health Canada (Note 15)	466,092	396,350
Ministry of Community and Social Services	703,478	704,984
Ministry of Health and Long Term Care (Note 15)	49,495	-
Ontario First Nations Limited Partnership	760,564	745,121
Administration fees	9,921	13,971
Anishinabek Employment and Training Services	166,249	134,111
Miscellaneous	313,733	361,177
Rental income	-	14,400
Industry Canada	8,700	-
Deferred revenue - prior year (Note 9)	314,523	207,158
Deferred revenue - current year (Note 9)	(350,147)	(314,523)
Repayment of funding	(37,735)	(181,910)
OPG Settlement	-	11,819,287
Income from investment in government business partnerships	424,678	119,948
	4,759,651	16,339,772
Expenses		
Administration	2,004,799	2,272,206
Education	869,208	1,023,488
Operations & Maintenance	387,192	523,077
Social Assistance	873,705	831,458
Health	725,310	545,360
Capital	433,994	366,692
Ontario First Nations Limited Partnership	114,233	86,873
Special projects	220,266	11,933,069
Business Enterprise Projects	97,613	100,126
Total (Schedule 2)	5,726,320	17,682,349
Operating deficit	(966,669)	(1,342,577)
Accumulated surplus, beginning of year	1,646,704	3,146,764
Repayment of prior surpluses	(20,000)	(157,483)
Accumulated surplus, end of year	660,035	1,646,704

Gull Bay First Nation
Consolidated Statement of Change in Net Debt
For the year ended March 31, 2016

	2016	2015
Annual deficit	(966,669)	(1,342,577)
Purchases of tangible capital assets	(20,122)	(34,601)
Amortization of tangible capital assets	587,936	662,936
Acquisition of prepaid expenses	(82,497)	-
Repayment of prior year surpluses	(20,000)	(157,483)
Use of prepaid expenses	-	62,774
	(102,497)	(94,709)
Increase in net debt	(501,352)	(808,951)
Net debt, beginning of year	(7,590,039)	(6,781,088)
Net debt, end of year	(8,091,391)	(7,590,039)

Gull Bay First Nation
Consolidated Statement of Cash Flows
For the year ended March 31, 2016

	2016	2015
Cash provided by (used for) the following activities		
Operating activities		
Operating deficit	(966,669)	(1,342,577)
Prior year surplus recoveries	(20,000)	(157,483)
Non-cash items		
Amortization	587,936	662,936
Interest accrual on long-term debt	631,249	931,680
Net income from government business partnerships	(424,678)	(119,948)
	(192,162)	(25,392)
Changes in working capital accounts		
Accounts receivable	(443,969)	(106,003)
Trust funds held by federal government	(2,222)	(2,884)
Prepaid expenses	(82,497)	62,774
Due from government and other government organizations	(470,684)	(352,668)
Accounts payable and accruals	752,471	69,694
OPG settlement payable	(4,845,196)	5,073,743
Deferred revenue	35,624	107,152
Surplus repayable	37,735	339,393
Due to Amik Catering Limited Partnership	-	(3,930)
	(5,210,900)	5,161,879
Financing activities		
Advance of INAC loan	91,710	-
Capital activities		
Purchases of tangible capital assets	(20,122)	(34,601)
Increase (decrease) in cash resources	(5,139,312)	5,127,278
Cash resources, beginning of year	5,918,728	791,450
Cash resources, end of year	779,416	5,918,728
Cash resources are composed of:		
Cash resources - unrestricted	356,875	651,194
Restricted cash - OPG settlement	422,541	5,267,534
	779,416	5,918,728

Gull Bay First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

1. Operations

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

2. Significant accounting policies

These consolidated financial statements are the representations of management, prepared on a going concern basis in accordance with Canadian public sector accounting standards prescribed for governments by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada and include the following significant accounting policies:

Reporting entity

The Gull Bay First Nation reporting entity includes the Gull Bay First Nation 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.

Government partnerships are proportionately consolidated on a line-by-line basis except for the partnerships which meet the definition of government business partnership, which are included in the consolidated financial statements on a modified equity basis.

Under the modified equity method of accounting, only the Gull Bay 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 Gull Bay First Nation.

Organizations consolidated in Gull Bay First Nation's consolidated financial statements include:

- Kiashke Zaaging Economic Development Corporation
- 2265668 Ontario Limited
- Ma'ilingan Development Inc.
- SE4 2013 LP

All inter-entity balances have been eliminated on consolidation; however, transactions between departments have not been eliminated in order to present the results of operations for each specific department.

Organizations accounted for on a modified equity basis include:

- Ma'ilingan Development LP
- Amik Catering Limited Partnership

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks net of bank overdrafts and term deposits having a maturity of three months or less at acquisition which are held for the purpose of meeting short-term cash commitments.

Gull Bay First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

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

Funds held by federal government

Funds held in trust on behalf of First Nation members by the Government of Canada in the Ottawa Trust Fund are reported on the statement of financial position with an offsetting amount in accumulated surplus. Trust moneys consist of:

- Capital trust moneys derived from non-renewable resource transactions on the sale of land or other First Nation tangible capital assets; and
- Revenue trust moneys generated primarily through land leasing transactions or interest earned on deposits held in trust.

Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset.

Leases that transfer substantially all the benefits and risks of ownership to the lessee are recorded as capital leases. Accordingly, at the inception of the leases, the tangible capital asset and related lease obligations are recorded at an amount equal to the present value of future lease payments discounted at the lower of the interest rate inherent in the lease contracts and the First Nation's incremental cost of borrowing.

Tangible capital assets are written down when conditions indicate they no longer contribute to the First Nation's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the consolidated statement of operations.

Contributed capital assets are recorded into revenue at their fair value on the date of donation, except in circumstances where fair value cannot be reasonably determined, in which case they are recognized at nominal value. Transfers of capital assets from related parties are recorded at carrying 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

Tangible capital assets are amortized annually using the following methods at rates intended to amortize the cost of the assets over their estimated useful lives as follows:

	Method	Rate
Buildings	declining balance	4 %
Office furniture and equipment	declining balance	20 %
Computers	declining balance	55 %
Equipment	declining balance	20 %
Automobiles and trailers	declining balance	30 %
Fencing	declining balance	10 %
KZA Economic Development Corporation Assets	declining balance	20-100 %

Gull Bay First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

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

Long-lived assets

Long-lived assets consist of tangible capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The First Nation performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying amount of an asset, or group of assets, may not be recoverable. The carrying amount of a long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted future cash flows from its use and disposal. Impairment is measured as the amount by which the assets' carrying amount exceeds its fair value. Fair value is measured using quoted market prices. Any impairment is included in surplus for the year.

Asset classification

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

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 financial assets less its liabilities. Net debt is comprised of two components, non-financial assets and accumulated surplus.

Revenue recognition

Funding

Revenue is recognized as it becomes receivable under the terms of applicable funding agreements. Funding received under funding arrangements that relate to a subsequent fiscal period are reflected as deferred revenue on the statement of financial position in the year of receipt.

Government Transfers

The First Nation recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the First Nation recognizes revenue as the liability is settled. Transfers of non-depreciable assets are recognized in revenue when received or receivable.

Funds held in Ottawa Trust Fund

Revenues related to the receipt of funds held in the Ottawa Trust Fund is recognized when it is received.

Other Revenue

Other revenue, such as user fees and administrative fees are recognized when service is provided and collectability is reasonably assured.

Gull Bay First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

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

Measurement uncertainty

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary.

Amortization is based on the estimated useful lives of tangible capital assets.

Accounts payable and accruals are based on historical charges for unbilled goods and services at year end.

Surplus repayable is based on anticipated repayment requirements; however, actual repayments will be determined upon funding agencies' review of the financial statements.

Deferred revenue is estimated based on management's review of revenue received, but unspent at year-end.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the periods in which they become known.

Segments

The First Nation conducts its business through a number of reportable segments: Administration, Education, Operations & Maintenance, Social Assistance, Health, Capital, Casino Rama, Special Projects and Business Enterprise Projects. These operating segments are established by senior management to facilitate the achievement of the First Nation's long-term objectives to aid in resource allocation decisions, and to assess operational performance.

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

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

Gull Bay First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

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

Financial instruments

The First Nation recognizes its financial instruments when the First Nation becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value.

At initial recognition, the First Nation may irrevocably elect to subsequently measure any financial instrument at fair value. The First Nation has made such an election during the year.

The First Nation subsequently measures investments in equity instruments quoted in an active market at fair value. Fair value is determined by published price quotations. Transactions to purchase or sell these items are recorded on the trade date. Net gains and losses arising from changes in fair value are recognized in the statement of remeasurement gains and losses. The First Nation has not presented a statement of remeasurement gains and losses as it does not have any items giving rise to remeasurement gains (losses). Interest income is recognized in the statement of operations. Investments in equity instruments not quoted in an active market and derivatives that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, are subsequently measured at cost. With the exception of those instruments designated at fair value, all other financial assets and liabilities are subsequently measured at amortized cost using the effective interest rate method.

Transaction costs directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in operating deficit

. Conversely, transaction costs are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

All financial assets are tested annually for impairment. Any impairment, which is not considered temporary, is recorded in the consolidated statement of operations. Write-downs of financial assets measured at cost and/or amortized cost to reflect losses in value are not reversed for subsequent increases in value. Reversals of any net remeasurements of financial assets measured at fair value are reported in the statement of remeasurement gains and losses.

Administration fees

It is the First Nation's policy to allocate certain administrative costs to various programs. Such allocations are recorded as administration fees revenue on the consolidated administration program schedule of revenue and expenses.

Gull Bay First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

3. Cash resources

	2016	2015
General Account	(266,527)	166,516
Ontario First Nations Limited Partnership account	(11,582)	315,512
Social assistance account	59,743	75,581
Health account	441,870	10
Special Projects account	(1,531)	26,366
Kiashke Zaaging Economic Development Corporation	134,902	67,209
	356,875	651,194

The Ontario First Nations Limited Partnership account has an unsecured credit limit available up to \$15,000 with interest at bank prime plus 5% (Nil outstanding at March 31, 2016 and March 31, 2015).

4. Accounts receivable

	2016	2015
Other trade receivables	530,129	202,238
Members	4,804	4,804
Anishinabek Employment and Training Services	120,555	4,477
	655,488	211,519

5. Due from government and other government organizations

	2016	2015
Indigenous and Northern Affairs Canada	1,669,324	1,139,942
Health Canada	466,092	506,113
HST Recoverable	3,817	22,494
	2,139,233	1,668,549

Gull Bay First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

6. Investments in government business partnerships

Gull Bay First Nation's investment in government business partnerships consist of the following:

	2016	2015
Ma'iingan Development LP	200,432	-
Amik Catering Limited Partnership	342,818	119,999
	543,250	119,999

The First Nation owns 99% of the units of Ma'iingan Development Limited Partnership and has been included in the financial statements using the modified equity method. In fiscal 2015, the investment was not a government business partnership and therefore was consolidated in the financial statements. A condensed summary of financial information for the year ended March 31, 2016 and March 31, 2015 is shown below. Summary cash flow information has not been included as cash flow activities are readily apparent from the other financial information.

	As at March 31, 2016 (Unaudited)	As at March 31, 2015 (Unaudited)
Financial assets		
Cash	211,976	-
Short-term investments	10,000	-
Total assets	221,976	-
Liabilities		
Accounts payables and accrued liabilities	18,078	-
Due to Kiashke Zaaging Economic Development Corporation	-	1,427
Net financial assets (debt)	203,898	(1,427)
Limited partners' capital (deficit)	203,898	(1,427)
	Year ending March 31, 2016 (Unaudited)	Year ending March 31, 2015 (Unaudited)
Revenue	230,968	-
Expenses	27,070	-
Net income (deficit)	203,898	(1,427)

Gull Bay First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

6. Investments in government business partnerships *(Continued from previous page)*

The First Nation owns 51% of the units of Amik Catering Limited Partnership and has been included in the consolidated financial statements using the modified equity method. A condensed summary of financial information for the year ended March 31, 2016 and March 31, 2015 is shown below. Summary cash flow information has not been included as cash flow activities are readily apparent from the other financial information.

	As at March 31, 2016	As at March 31, 2015 (Unaudited)
Assets		
Current		
Cash and short-term deposits	-	236,371
Accounts receivable	1,158,720	682,484
Inventory	56,952	63,925
Prepaid expenses	-	3,940
	1,215,672	986,720
Capital assets	37	4,978
Total assets	1,215,709	991,698
Liabilities and partners' capital		
Current		
Bank indebtedness	13,309	-
Accounts payable	289,545	174,064
Government remittances payable	190,180	369,234
Due to related parties	314,995	105,590
	808,029	648,889
Partners' capital	407,680	342,809
Total liabilities and partners' capital	1,215,709	991,698
	Year ending March 31, 2016	Year ending March 31, 2015 (Unaudited)
Revenue	4,049,200	2,789,951
Cost of sales	3,449,290	2,370,204
Gross profit	599,910	419,747
Expenses	104,757	77,038
Net income	495,153	342,709

Gull Bay First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

7. Funds held in trust

The trust funds arise from monies 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. Capital and revenue trust moneys are transferred to the First Nation on the authorization of the Minister of Indigenous and Northern Affairs Canada, with the consent of the First Nation's Council.

	2016	2015
Capital Trust		
Balance, beginning of year	4,443	4,443
Balance, end of year	4,443	4,443
Revenue Trust		
Balance, beginning of year	100,292	97,408
Interest	2,222	2,884
Balance, end of year	102,514	100,292
	106,957	104,735

8. Accounts payable and accruals

	2016	2015
Trade payables	1,777,322	1,029,747
Accrued salaries and benefits payable	10,665	5,718
Other accrued liabilities	42,500	42,500
	1,830,487	1,077,965

9. Deferred revenue

The following table represents changes in the deferred revenue balance attributable to each major category of external restrictions:

	<i>Balance, beginning of year</i>	<i>Revenue received</i>	<i>Revenue recognized</i>	<i>Balance, end of year</i>
INAC - Ancillary Services	5,200	6,200	6,186	5,214
INAC - Student Accommodation Services	-	85,500	58,950	26,550
INAC - Student Transportation Services	249,391	124,014	108,060	265,345
INAC - Plan Design and Construction	2,303	-	2,303	-
INAC - O & M - School	20,834	-	2,936	17,898
INAC - O & M - Community Buildings	36,795	33,470	38,449	31,816
MCSS - Basic Needs	-	652,464	649,140	3,324
	314,523	901,648	866,024	350,147

Gull Bay First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

10. Surplus repayable

	2016	2015
Indigenous and Northern Affairs Canada (prior year recoveries)	1,287,005	1,105,095
Indigenous and Northern Affairs Canada (current year recoveries)	37,735	181,910
Health Canada (prior year recoveries)	254,855	254,855
Ministry of Aboriginal Affairs (prior year recoveries)	59,095	59,095
	1,638,690	1,600,955

11. Long-term debt

	2016	2015
Loan payable to Indigenous and Northern Affairs Canada	8,181,511	7,550,262

In 1994, the First Nation defaulted on certain loans totaling \$1,117,784. Indigenous and Northern Affairs Canada assumed the creditor's position under provisions of a Ministerial Loan Guarantee. This balance represents principle and accrued interest, and currently has no set terms of repayment. See Note 12 regarding the uncertainty surrounding the ultimate amount payable under this debt obligation.

Interest on long-term debt for the year ended March 31, 2016 amounted to \$631,249 (2015 - \$931,680).

Subsequent to year-end, the Government of Canada has forgiven the outstanding debt including principal and accrued interest associated with the Ministerial Loan Guarantee (see Note 19).

12. Contingent liabilities

The First Nation has been named as a defendant in a human rights complaint. The lawsuit remains at an early stage and as litigation is subject to many uncertainties, it is not possible to predict the ultimate outcome of this lawsuit or to estimate the loss, if any, may result. Any amount awarded as a result of this action will be recorded when reasonably estimable.

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

In addition, in the normal course of operations, the First Nation may become involved in legal actions. Some of these potential liabilities may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded in the First Nation's financial statements.

As disclosed in Note 11, there is an amount owing to the Indigenous and Northern Affairs Canada. The First Nation has applied to the Treasury Board of Canada for forgiveness of the outstanding debt (including capitalized interest) which amounted to \$8,181,511 as at March 31, 2016.

Gull Bay First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

13. Ontario First Nations Limited Partnership

Commencing with the 2012 fiscal year and in each fiscal year thereafter during the initial and renewal terms of the agreement between the Province of Ontario and Ontario First Nations Limited Partnership ("OFNLP"), the Province of Ontario shall pay to OFNLP 12 monthly payments equal to one-twelfth of 1.7% of the aggregate provincial gross gaming revenues. OFNLP then distributes to the First Nation its share of these revenues to community development, health, education, cultural development, and economic development.

The First Nation holds a unit in the Ontario First Nation Limited Partnership, and a share in a related company Ontario First Nations General Partner Inc. - the carrying values of which are nominal and are therefore not recorded in these consolidated financial statements.

14. Segments

The First Nation has eight reportable segments. These segments are differentiated by the major activities or services they provide. The First Nation's segments are as follows:

Administration - includes administration and governance activities.

Education - includes the operations of education programs.

Operations and Maintenance - includes band programs and maintenance.

Social Assistance - activities include delivering social programs.

Health - reports on the First Nation's Health Canada and Aboriginal Healing and Wellness funding.

Capital - includes the operations of capital programs.

Casino Rama - reports on the First Nation's Ontario First Nations Limited Partnership funding.

Special Projects - includes the operations of special projects.

Business Enterprise Projects - includes the operations of significantly influenced business enterprises for consolidation.

Inter-segment transfers are recorded at their exchange amount. The accounting policies are the same as those described in Note 2.

15. Government transfers

Gull Bay First Nation receives a significant portion of its revenue pursuant to a funding agreement with Indigenous and Northern Affairs Canada (INAC) and other government organizations. Under the terms of the agreement, funding from the agreement can be suspended if the First Nation does not comply with the terms of the agreement.

	<i>Operating</i>	<i>Capital</i>	<i>2016</i>	<i>2015</i>
Federal government transfers				
Indigenous and Northern Affairs Canada	1,930,100	-	1,930,100	2,319,698
Health Canada	466,092	-	466,092	396,350
	2,396,192	-	2,396,192	2,716,048
Provincial government transfers				
Ministry of Community and Social Services	703,478	-	703,478	704,984
Ministry of Health and Long Term Care	49,495	-	49,495	-
	752,973	-	752,973	704,984
	3,149,165	-	3,149,165	3,421,032

16. Budget information

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

Gull Bay First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

17. Financial Instruments

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

Fair Value of Financial Instruments

The fair value of current financial assets and current financial liabilities approximates their carrying value due to their short-term maturity.

Credit Risk

Credit risk is the risk of financial loss because a counter party to a financial instrument fails to discharge its contractual obligations.

Risk management

The First Nation manages its credit risk by providing allowances for potentially uncollectible accounts receivable.

Liquidity Risk

Liquidity risk is the risk that the First Nation will encounter difficulty in meeting obligations associated with financial liabilities. The First Nation enters into transactions to purchase goods and services on credit for which repayment is required at various maturity dates.

18. Economic dependence

Gull Bay First Nation receives a significant portion of its revenue from Indigenous and Northern Affairs Canada (INAC) as a result of Treaties entered into with the Government of Canada. These treaties are administered by INAC under the terms and conditions of the Indian Act. The ability of the First Nation to continue operations is dependent upon the Government of Canada's continued financial commitments as guaranteed by these treaties.

19. Subsequent event

Subsequent to year-end, the Government of Canada has forgiven the outstanding debt including principal and accrued interest associated with the Ministerial Loan Guarantee. In June 2017, the total loan balance was \$9,262,938 (principal of \$1,117,784 and accrued interest of \$8,145,154). The loan forgiveness will be recorded in 2018 and result in a decrease in net debt and increase in surplus of \$9,262,938.

Gull Bay First Nation
Schedule 1 - Consolidated Schedule of Tangible Capital Assets
For the year ended March 31, 2016

	<i>Buildings</i>	<i>Office furniture & equipment</i>	<i>Computers</i>	<i>Equipment</i>	<i>Automobiles and trailers</i>	<i>Fencing</i>	<i>Subtotal</i>
Cost							
Balance, beginning of year	11,465,526	218,082	58,042	432,488	2,038,807	12,885	14,225,830
Acquisition of tangible capital assets	-	10,000	-	1,296	-	-	11,296
Balance, end of year	11,465,526	228,082	58,042	433,784	2,038,807	12,885	14,237,126
Accumulated amortization							
Balance, beginning of year	2,815,560	172,531	54,302	296,794	1,667,314	4,854	5,011,355
Annual amortization	432,831	10,110	2,057	27,268	111,448	803	584,517
Balance, end of year	3,248,391	182,641	56,359	324,062	1,778,762	5,657	5,595,872
Net book value of tangible capital assets	8,217,135	45,441	1,683	109,722	260,045	7,228	8,641,254
2015 Net book value of tangible capital assets	8,649,966	45,551	3,740	135,694	371,493	8,031	9,214,475

Gull Bay First Nation
Schedule 1 - Consolidated Schedule of Tangible Capital Assets
For the year ended March 31, 2016

	<i>Subtotal</i>	<i>KZA Economic Development Corporation</i>	<i>2016</i>	<i>2015</i>
Cost				
Balance, beginning of year	14,225,830	15,183	14,241,013	14,206,412
Acquisition of tangible capital assets	11,296	8,826	20,122	34,601
Balance, end of year	14,237,126	24,009	14,261,135	14,241,013
Accumulated amortization				
Balance, beginning of year	5,011,355	5,057	5,016,412	4,353,476
Annual amortization	584,517	3,419	587,936	662,936
Balance, end of year	5,595,872	8,476	5,604,348	5,016,412
Net book value of tangible capital assets	8,641,254	15,533	8,656,787	9,224,601
2015 Net book value of tangible capital assets	9,214,475	10,126	9,224,601	

Gull Bay First Nation
Schedule 2 - Schedule of Consolidated Expenses by Object
For the year ended March 31, 2016

	2016	2015
Consolidated expenses by object		
Administration	9,921	11,521
Advertising	3,845	-
Amortization	587,936	662,936
Bank charges and interest	10,121	10,452
Carpentry wages	-	97,414
Cleaning expense	6,088	23,885
Community development	58,813	18,631
Consulting	24,780	20,014
Contractors	922	4,462
Cultural enrichment	12,000	-
Economic development	28,485	1,500
Education	854	30,958
Fuel and oil	29,019	17,652
Funeral costs	-	9,500
Health	11,124	16,885
Honoraria	115,832	117,050
Insurance	80,450	72,084
Interest on long-term debt	631,249	931,681
Meeting	1,572	-
Miscellaneous	28,932	26,566
Office equipment lease	213	450
Postage	41,184	42,120
Professional fees	612,315	337,624
Program expense	108,282	150,459
Rent	15,000	-
Repairs and maintenance	287,825	447,270
Room and board	58,950	75,150
Salaries and benefits	906,559	932,840
Secondary student allowance	-	8,700
Secondary student transportation	7,180	8,745
Snow removal	-	3,000
Social assistance	693,040	726,588
Student expenses	809	-
Supplies	245,878	142,780
Telephone	19,663	19,417
Training and programs	1,589	965
Travel	105,015	125,862
Tuition	643,495	675,067
Utilities	207,136	187,150
	5,596,076	5,957,378
OPG Settlement costs	130,244	11,724,971
	5,726,320	17,682,349

Gull Bay First Nation
Schedule 3 - Consolidated Schedule of Revenue and Expenses
For the year ended March 31, 2016

	<i>INAC Revenue</i>	<i>Other Revenue</i>	<i>Deferred Revenue</i>	<i>Total Revenue</i>	<i>Total Expenses</i>	<i>Adjustments/Transfers From (To)</i>	<i>Current Surplus (Deficit)</i>
Administration							
Administration	278,790	27,678	-	306,468	1,962,150	299,106	(1,356,576)
Economic Development	42,000	-	-	42,000	42,649	-	(649)
	320,790	27,678	-	348,468	2,004,799	299,106	(1,357,225)
Education							
Education - Instructional Services	-	-	-	-	5,387	-	(5,387)
Education - Band Operated School	-	-	-	-	239	-	(239)
Education - Tuition Agreements	681,230	(37,735)	-	643,495	643,495	-	-
Education - Ancillary Services	6,200	-	(14)	6,186	6,186	-	-
Education - Student Accommodation Services	85,500	-	(26,550)	58,950	58,950	-	-
Education - Student Transportation Services	124,014	-	(15,954)	108,060	108,060	-	-
Education - Financial Assistance	8,400	-	-	8,400	8,588	-	(188)
Education - Guidance & Counselling	36,000	-	-	36,000	36,000	-	-
Education - Plan Design and Construction	-	-	2,303	2,303	2,303	-	-
	941,344	(37,735)	(40,215)	863,394	869,208	-	(5,814)
Operations & Maintenance							
Operations & Maintenance - School	-	-	2,936	2,936	2,936	-	-
Operations & Maintenance - Fire Protection	18,250	-	-	18,250	27,015	-	(8,765)
Operations & Maintenance - Roads & Bridges	52,603	-	-	52,603	52,603	-	-
Operations & Maintenance - Wastewater	39,889	-	-	39,889	39,889	-	-
Operations & Maintenance - Sanitation	23,901	-	-	23,901	23,901	-	-
Operations & Maintenance - Water	50,066	-	-	50,066	142,509	-	(92,443)
Operations & Maintenance - Water Systems	59,890	-	-	59,890	59,890	-	-
Operations & Maintenance - Community Buildings	33,470	-	4,979	38,449	38,449	-	-
	278,069	-	7,915	285,984	387,192	-	(101,208)
Social Assistance							
Social Assistance - Basic Needs	42,700	652,464	(3,324)	691,840	691,840	-	-
Social Assistance - Sole Support	1,200	-	-	1,200	1,200	-	-
Social Assistance - Administration	48,200	51,014	-	99,214	95,170	-	4,044
Social Assistance - National Child Benefit	31,000	-	-	31,000	31,000	-	-
Social Assistance - Homemakers	5,000	-	-	5,000	5,000	-	-
Social Assistance - LHIN - Homemakers	-	49,495	-	49,495	49,495	-	-
	128,100	752,973	(3,324)	877,749	873,705	-	4,044

Gull Bay First Nation
Schedule 3 - - Consolidated Schedule of Revenue and Expenses
For the year ended March 31, 2016

	AANDC Revenue	Other Revenue	Deferred Revenue	Total Revenue	Total Expenses	Adjustments/ Transfers From (To)	Current Surplus (Deficit)
Health							
Health - CF Operations & Maintenance	-	161,718	-	161,718	280,720	119,002	-
Health - Family Support Workers	-	55,000	-	55,000	55,000	-	-
Health - Mental Health	-	-	-	-	28,331	28,331	-
Health - Administration	-	15,283	-	15,283	15,283	-	-
Health - NIHB	-	65,334	-	65,334	65,855	521	-
Health - EHC Solvent Abuse	-	1,195	-	1,195	1,380	185	-
Health - BHC CPNP	-	78,557	-	78,557	87,848	9,291	-
Health - Community Health Representative	-	60,653	-	60,653	101,246	40,593	-
Health - NNADAP	-	55,690	-	55,690	59,647	3,957	-
Health - Health Planning Management	-	30,000	-	30,000	30,000	-	-
	-	523,430	-	523,430	725,310	201,880	-
Capital							
Minor Capital - Resident Housing	165,795	-	-	165,795	165,795	-	-
Major Capital - Water under 1.5 Million	96,002	-	-	96,002	101,950	-	(5,948)
AETS Programs	-	166,249	-	166,249	166,249	-	-
	261,797	166,249	-	428,046	433,994	-	(5,948)
Ontario First Nations Limited Partnership							
Ontario First Nations Limited Partnership	-	760,564	-	760,564	114,233	(500,986)	145,345
Special Projects							
Special Projects	-	15,144	-	15,144	220,266	-	(205,122)
Business Enterprise Projects							
Business Enterprise Projects - KZA Economic Development Corporation	-	232,194	-	232,194	97,613	-	134,581
Business Enterprise Projects - Amik Catering Limited Partnership	-	222,819	-	222,819	-	-	222,819
Business Enterprise Projects - Ma'ilingan Development Limited Partnership	-	201,859	-	201,859	-	-	201,859
	-	656,872	-	656,872	97,613	-	559,259
Total	1,930,100	2,865,175	(35,624)	4,759,651	5,726,320	-	(966,669)