

Gull Bay First Nation
Consolidated Financial Statements
For the year ended March 31, 2017

Gull Bay First Nation

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For the year ended March 31, 2017

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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.

Chief

Councilor

Councilor

Councilor

Councilor

Councilor

Councilor

Councilor

Councilor

Councilor

Councilor

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, 2017 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 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, 2017. 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, 2017 and the income earned from Ma'iingan Development LP for the year ended March 31, 2017.

We were unable to obtain band council resolutions for the year ended March 31, 2017.

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, 2017 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.

Thunder Bay, Ontario
February 1, 2018

MNP LLP

Chartered Professional Accountants
Licensed Public Accountants

Gull Bay First Nation
Consolidated Statement of Financial Position
As at March 31, 2017

2017 **2016**

Financial assets

Cash resources (Note 3)	44,505	356,875
Restricted cash - OPG settlement	11,318	422,541
Accounts receivable (Note 4)	740,948	655,488
Due from government and other government organizations (Note 5)	2,088,841	2,139,233
Due from related parties (Note 6)	5,357	5,357
Investment in government business partnerships (Note 6)	948,104	543,250
Trust funds held by federal government (Note 7)	108,940	106,957

Total financial assets	3,948,013	4,229,701
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Liabilities

Accounts payable and accruals (Note 8)	2,585,925	1,830,487
OPG settlement payable	-	228,547
Deferred revenue (Note 9)	304,812	350,147
Surplus repayable (Note 10)	1,741,452	1,638,690
INAC loan	-	91,710
Long-term debt (Note 11), (Note 19)	8,707,456	8,181,511

Total liabilities	13,339,645	12,321,092
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Net debt	(9,391,632)	(8,091,391)
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Contingent liabilities (Note 12)

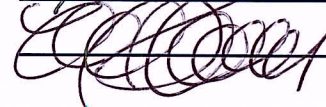
Non-financial assets

Tangible capital assets (Schedule 1)	8,625,485	8,656,787
Prepaid expenses	8,295	94,642

Total non-financial assets	8,633,780	8,751,429
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Accumulated surplus (deficit)	(757,852)	660,038
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Approved on behalf of the Council

	Chief		Councilor
	Councilor		Councilor
	Councilor		Councilor
	Councilor		Councilor
	Councilor		Councilor

Gull Bay First Nation
Consolidated Statement of Operations and Accumulated Surplus
For the year ended March 31, 2017

	2017	2016
Revenue		
Indigenous and Northern Affairs Canada (Note 15)	9,945,962	1,930,100
Health Canada (Note 15)	-	466,092
Ministry of Community and Social Services (Note 15)	678,167	703,478
Ministry of Health and Long Term Care (Note 15)	-	49,495
Ontario First Nations Limited Partnership	861,355	760,564
Administration fees	9,770	9,921
Anishinabek Employment and Training Services	141,320	166,249
Miscellaneous	150,329	313,733
Industry Canada	7,200	8,700
Deferred revenue - prior year (Note 9)	350,147	314,523
Deferred revenue - current year (Note 9)	(304,812)	(350,147)
Repayment of funding	(102,762)	(37,735)
Income from investment in government business partnerships	404,854	424,678
	12,141,530	4,759,651
Expenses		
Administration	10,171,615	2,004,799
Education	680,371	869,208
Operations & Maintenance	359,072	387,192
Social Assistance	782,144	873,705
Health	671,454	725,310
Capital	408,157	433,994
Ontario First Nations Limited Partnership	313,511	114,233
Special projects	151,721	220,266
Business Enterprise Projects	21,376	97,613
Total (Schedule 2)	13,559,421	5,726,320
Operating deficit	(1,417,891)	(966,669)
Accumulated surplus, beginning of year	660,035	1,646,704
Repayment of prior surpluses	-	(20,000)
Accumulated surplus (deficit), end of year	(757,856)	660,035

Gull Bay First Nation
Consolidated Statement of Change in Net Debt
For the year ended March 31, 2017

	2017	2016
Annual deficit	(1,417,891)	(966,669)
Purchases of tangible capital assets	(548,296)	(20,122)
Amortization of tangible capital assets	579,599	587,936
	31,303	567,814
Acquisition of prepaid expenses	-	(82,497)
Repayment of prior year surpluses	-	(20,000)
Use of prepaid expenses	86,347	-
	86,347	(102,497)
Decrease in net debt	(1,300,241)	(501,352)
Net debt, beginning of year	(8,091,391)	(7,590,039)
Net debt, end of year	(9,391,632)	(8,091,391)

Gull Bay First Nation
Consolidated Statement of Cash Flows
For the year ended March 31, 2017

	2017	2016
Cash provided by (used for) the following activities		
Operating activities		
Operating deficit	(1,417,891)	(966,669)
Prior year surplus recoveries	-	(20,000)
Non-cash items		
Amortization	579,599	587,936
Interest accrual on long-term debt	525,945	631,249
Net income from government business partnerships	(404,854)	(424,678)
	(717,201)	(192,162)
Changes in working capital accounts		
Accounts receivable	(85,460)	(443,969)
Trust funds held by federal government	(1,983)	(2,222)
Prepaid expenses	86,347	(82,497)
Due from government and other government organizations	50,392	(470,684)
Accounts payable and accruals	755,438	752,471
OPG settlement payable	(228,547)	(4,845,196)
Deferred revenue	(45,335)	35,624
Surplus repayable	102,762	37,735
	(83,587)	(5,210,900)
Financing activities		
Advance (repayment) of INAC loan	(91,710)	91,710
Capital activities		
Purchases of tangible capital assets	(548,296)	(20,122)
Decrease in cash resources	(723,593)	(5,139,312)
Cash resources, beginning of year	779,416	5,918,728
Cash resources, end of year	55,823	779,416
Cash resources are composed of:		
Cash resources - unrestricted	44,505	356,875
Restricted cash - OPG settlement	11,318	422,541
	55,823	779,416

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
- Ma'iingan 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'iingan Development LP
- AETS Property LP
- Ininigaade Inc.

Organizations accounted for using the cost method include:

- AETS Property GP Inc.

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.

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 %

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.

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*.

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 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, 2017

3. Cash resources

	2017	2016
General Account	34,900	(266,527)
Ontario First Nations Limited Partnership account	2,824	(11,582)
Social assistance account	(7,592)	59,743
Health account	10	441,870
Special Projects account	6,984	(1,531)
Kiashke Zaaging Economic Development Corporation	7,379	134,902
	44,505	356,875

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, 2017 and March 31, 2016).

4. Accounts receivable

	2017	2016
Other trade receivables	610,394	530,129
Members	3,300	4,804
Anishinabek Employment and Training Services	127,254	120,555
	740,948	655,488

5. Due from government and other government organizations

	2017	2016
Indigenous and Northern Affairs Canada	2,032,835	1,669,324
Health Canada	-	466,092
HST Recoverable	56,006	3,817
	2,088,841	2,139,233

Gull Bay First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2017

6. Investments in government business partnerships

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

	2017	2016
Ma'iingan Development LP	948,104	200,432
Amik Catering Limited Partnership	-	342,818
	948,104	543,250

The First Nation transferred its 51% ownership of the units of Amik Catering Limited Partnership to Ma'iingan Development Limited Partnership on April 1, 2016. The investment in Amik Catering Limited Partnership is now held with Ma'iingan Development Limited Partnership and is recorded using the modified equity method.

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. A condensed summary of financial information for the year ended March 31, 2017 and March 31, 2016 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, 2017 (Unaudited)	As at March 31, 2016 (Unaudited)
Financial assets		
Cash	661,324	211,976
Short-term investments	10,123	10,000
Purchase prepayments	10,000	-
Total assets	681,447	221,976
Liabilities		
Accounts payables and accrued liabilities	68,606	18,078
Net financial assets	612,841	203,898
Limited partners' capital	612,841	203,898
	Year ending March 31, 2017 (Unaudited)	Year ending March 31, 2016 (Unaudited)
Revenue	496,833	230,968
Expenses	87,890	27,070
Net income	408,943	203,898

Gull Bay First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2017

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.

	2017	2016
Capital Trust		
Balance, beginning of year	4,443	4,443
Balance, end of year	4,443	4,443
Revenue Trust		
Balance, beginning of year	102,514	100,292
Interest	1,983	2,222
Balance, end of year	104,497	102,514
	108,940	106,957

8. Accounts payable and accruals

	2017	2016
Trade payables	2,496,470	1,777,322
Accrued salaries and benefits payable	4,455	10,665
Other accrued liabilities	85,000	42,500
	2,585,925	1,830,487

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	5,214	6,200	11,414	-
INAC - Student Accommodation Services	26,550	-	26,550	-
INAC - Student Transportation Services	265,345	126,494	87,027	304,812
INAC - O & M - School	17,898	-	17,898	-
INAC - O & M - Community Buildings	31,816	34,831	66,647	-
MCSS - Basic Needs	3,324	628,667	631,991	-
	350,147	796,192	841,527	304,812

Gull Bay First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2017

10. Surplus repayable

	2017	2016
Indigenous and Northern Affairs Canada (prior year recoveries)	1,324,740	1,287,005
Indigenous and Northern Affairs Canada (current year recoveries)	102,762	37,735
Health Canada (prior year recoveries)	254,855	254,855
Ministry of Aboriginal Affairs (prior year recoveries)	59,095	59,095
	1,741,452	1,638,690

11. Long-term debt

	2017	2016
Loan payable to Indigenous and Northern Affairs Canada	8,707,456	8,181,511

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, 2017 amounted to \$525,945 (2016 - \$631,249).

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 \$8,707,456 as at March 31, 2017.

Gull Bay First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2017

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>2017</i>	<i>2016</i>
Federal government transfers				
Indigenous and Northern Affairs Canada	9,945,962	-	9,945,962	1,930,100
Health Canada	-	-	-	466,092
	9,945,962	-	9,945,962	2,396,192
Provincial government transfers				
Ministry of Community and Social Services	678,167	-	678,167	703,478
Ministry of Health and Long Term Care	-	-	-	49,495
	678,167	-	678,167	752,973
	10,624,129	-	10,624,129	3,149,165

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.

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, 2017

	<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	228,082	58,042	433,784	2,038,807	12,885	14,237,126
Acquisition of tangible capital assets	72,233	4,581	-	396,622	20,000	-	493,436
Balance, end of year	11,537,759	232,663	58,042	830,406	2,058,807	12,885	14,730,562
Accumulated amortization							
Balance, beginning of year	3,248,391	182,641	56,359	324,062	1,778,762	5,657	5,595,872
Annual amortization	416,961	9,546	926	61,606	81,014	723	570,776
Balance, end of year	3,665,352	192,187	57,285	385,668	1,859,776	6,380	6,166,648
Net book value of tangible capital assets	7,872,407	40,476	757	444,738	199,031	6,505	8,563,914
2016 Net book value of tangible capital assets	8,217,135	45,441	1,683	109,722	260,045	7,228	8,641,254

Gull Bay First Nation
Schedule 1 - Consolidated Schedule of Tangible Capital Assets
For the year ended March 31, 2017

	<i>Subtotal</i>	<i>KZA Economic Development Corporation</i>	<i>2017</i>	<i>2016</i>
Cost				
Balance, beginning of year	14,237,126	24,009	14,261,135	14,241,013
Acquisition of tangible capital assets	493,436	54,861	548,297	20,122
Balance, end of year	14,730,562	78,870	14,809,432	14,261,135
Accumulated amortization				
Balance, beginning of year	5,595,872	8,476	5,604,348	5,016,412
Annual amortization	570,776	8,823	579,599	587,936
Balance, end of year	6,166,648	17,299	6,183,947	5,604,348
Net book value of tangible capital assets	8,563,914	61,571	8,625,485	8,656,787
2016 Net book value of tangible capital assets	8,641,254	15,533	8,656,787	

Gull Bay First Nation
Schedule 2 - Schedule of Consolidated Expenses by Object
For the year ended March 31, 2017

	2017	2016
Consolidated expenses by object		
Administration	9,770	9,921
Advertising	5,022	3,845
Amortization	579,599	587,936
Bank charges and interest	8,567	10,121
Cleaning expense	6,478	6,088
Community development	126,340	58,813
Consulting	175,055	24,780
Contractors	3,475	922
Cultural enrichment	22,000	12,000
Economic development	50,851	28,485
Education	86,397	854
Fuel and oil	46,348	29,019
Health	27,858	11,124
Honoraria	130,740	115,832
Insurance	68,816	80,450
Interest on long-term debt	525,945	631,249
Meeting	2,010	1,572
Miscellaneous	15,966	28,932
Office equipment lease	-	213
Postage	39,936	41,184
Professional fees	536,184	612,315
Program expense	112,986	108,282
Rent	-	15,000
Repairs and maintenance	194,296	287,825
Room and board	45,675	58,950
Salaries and benefits	1,040,084	906,559
Secondary student transportation	5,665	7,180
Social assistance	671,206	693,040
Student expenses	1,175	809
Supplies	42,743	245,878
Telephone	17,266	19,663
Training and programs	4,651	1,589
Travel	129,304	105,015
Tuition	446,038	643,495
Utilities	216,024	207,136
	5,934,470	5,596,076
OPG Settlement costs	55,919	130,244
Timber claim settlement costs	8,109,032	-
	13,559,421	5,726,320

Gull Bay First Nation

Schedule 3 - Consolidated Schedule of Revenue and Expenses

For the year ended March 31, 2017

	INAC Revenue	Other Revenue	Deferred Revenue	Total Revenue	Total Expenses	Adjustments/ Transfers From (To)	Current Surplus (Deficit)
Administration							
Administration	276,745	57,696	-	334,441	1,928,416	176,260	(1,417,715)
Economic Development	42,000	-	-	42,000	42,457	-	(457)
Timber Claim	8,200,742	-	-	8,200,742	8,200,742	-	-
	8,519,487	57,696	-	8,577,183	10,171,615	176,260	(1,418,172)
Education							
Education - Instructional Services	-	-	-	-	5,187	-	(5,187)
Education - Tuition Agreements	548,800	(102,762)	-	446,038	446,038	-	-
Education - Ancillary Services	6,200	-	5,214	11,414	11,414	-	-
Education - Student Accommodation Services	-	-	26,550	26,550	45,675	-	(19,125)
Education - Student Transportation Services	126,494	-	(39,467)	87,027	87,027	-	-
Education - Financial Assistance	8,400	-	-	8,400	8,730	-	(330)
Education - Guidance & Counselling	76,300	-	-	76,300	76,300	-	-
	766,194	(102,762)	(7,703)	655,729	680,371	-	(24,642)
Operations & Maintenance							
Operations & Maintenance - School	-	-	17,898	17,898	17,898	-	-
Operations & Maintenance - Fire Protection	18,999	-	-	18,999	20,220	-	(1,221)
Operations & Maintenance - Roads & Bridges	54,790	-	-	54,790	55,127	-	(337)
Operations & Maintenance - Wastewater	-	-	-	-	7,751	-	(7,751)
Operations & Maintenance - Sanitation	24,890	-	-	24,890	25,000	-	(110)
Operations & Maintenance - Water	81,122	-	-	81,122	101,123	-	(20,001)
Operations & Maintenance - Water Systems	62,312	-	-	62,312	65,000	-	(2,688)
Operations & Maintenance - Community Buildings	34,831	-	31,816	66,647	66,953	-	(306)
	276,944	-	49,714	326,658	359,072	-	(32,414)
Social Assistance							
Social Assistance - Basic Needs	31,600	628,667	3,324	663,591	670,506	-	(6,915)
Social Assistance - Sole Support	700	-	-	700	700	-	-
Social Assistance - Administration	48,200	49,500	-	97,700	74,938	-	22,762
Social Assistance - National Child Benefit	31,000	-	-	31,000	31,000	-	-
Social Assistance - Homemakers	5,000	-	-	5,000	5,000	-	-
	116,500	678,167	3,324	797,991	782,144	-	15,847

Gull Bay First Nation

Schedule 3 - - Consolidated Schedule of Revenue and Expenses

For the year ended March 31, 2017

	AANDC Revenue	Other Revenue	Deferred Revenue	Total Revenue	Total Expenses	Adjustments/ Transfers From (To)	Current Surplus (Deficit)
Health							
Health - CF Operations & Maintenance	-	5,220	-	5,220	210,121	-	(204,901)
Health - FN Inuit Homeland Community	-	-	-	-	2,880	-	(2,880)
Health - Family Support Workers	-	70,681	-	70,681	70,681	-	-
Health - Mental Health	-	-	-	-	6,909	-	(6,909)
Health - NIHB	-	-	-	-	113,410	-	(113,410)
Health - BHC CPNP	-	-	-	-	45,824	-	(45,824)
Health - Community Health Representative	-	-	-	-	159,258	79,025	(80,233)
Health - NNADAP	-	-	-	-	62,371	1,641	(60,730)
Health - Brighter Futures	-	5,000	-	5,000	-	-	5,000
	-	80,901	-	80,901	671,454	80,666	(509,887)
Capital							
Minor Capital - Resident Housing	266,837	-	-	266,837	266,837	-	-
AETS Programs	-	141,320	-	141,320	141,320	-	-
	266,837	141,320	-	408,157	408,157	-	-
Ontario First Nations Limited Partnership							
Ontario First Nations Limited Partnership	-	861,855	-	861,855	313,511	(256,926)	291,418
Special Projects							
Special Projects	-	25,370	-	25,370	151,721	-	(126,351)
Business Enterprise Projects							
Business Enterprise Projects - KZA Economic Development Corporation	-	2,832	-	2,832	21,376	-	(18,544)
Business Enterprise Projects - Ma'iingan Development Limited Partnership	-	404,854	-	404,854	-	-	404,854
	-	407,686	-	407,686	21,376	-	386,310
Total	9,945,962	2,150,233	45,335	12,141,530	13,559,421	-	(1,417,891)