

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

Gull Bay First Nation Contents

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.


John D. M. Smith

Chief

Councilor

Councilor

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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'ilingan 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'ilingan Development LP, we were unable to obtain sufficient appropriate audit evidence regarding the investment in Ma'ilingan Development LP at March 31, 2017 and the income earned from Ma'ilingan 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.

MNP LLP

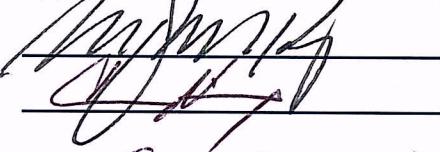
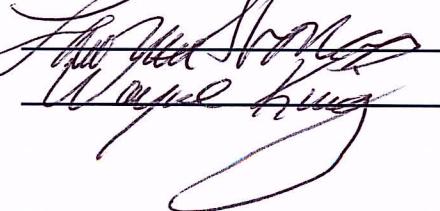
Thunder Bay, Ontario
February 1, 2018

Chartered Professional Accountants
Licensed Public Accountants

Gull Bay First Nation
Consolidated Statement of Financial Position
As at March 31, 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 |
| 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 |
| Net debt | (9,391,632) | (8,091,391) |
| 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 |
| Accumulated surplus (deficit) | (757,852) | 660,038 |

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 |

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

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'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
- 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.

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

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, 2017

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, 2017

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, 2017

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, 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, 2016 and March 31, 2017 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.

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

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 |
| OPG Settlement costs | 5,934,470 | 5,596,076 |
| Timber claim settlement costs | 55,919 | 130,244 |
| | 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

| | <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 | 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'ilingan 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) |