

Garden River First Nation
Consolidated Financial Statements
For the year ended March 31, 2018

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For the year ended March 31, 2018

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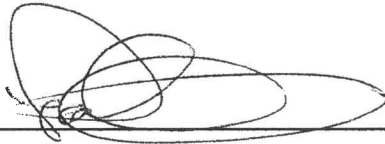
Garden River First Nation
Management's Responsibility for Financial Reporting
March 31, 2018

The accompanying consolidated financial statements and supplementary financial information schedules of the Garden River 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. Management is responsible for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The external auditors, BDO Canada LLP, conduct an audit in accordance with Canadian generally accepted auditing standards, and express their opinion on the consolidated financial statements. The external auditors have access to financial management of Garden River First Nation and meet when required.



Chief


FINANCE MANAGER

Chief Executive Officer



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Independent Auditor's Report

To the Chief and Council of Garden River First Nation

We have audited the accompanying consolidated financial statements of the Garden River First Nation, which comprise the statement of financial position as at March 31, 2018 and the consolidated statements of operations, changes in net financial assets (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 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal 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 statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Garden River First Nation as at March 31, 2018 and the results of its operations, changes in its net financial assets (debt) and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants


Sault Ste. Marie, Ontario
August 28, 2018

Garden River First Nation


Consolidated Statement of Financial Position

March 31	2018	2017
Financial assets		
Cash and short term securities	\$ 4,968,546	\$ 2,346,869
Accounts receivable	2,797,584	2,425,030
Due from the Community Trust (Note 5)	118,070	196,466
Inventories held for sale	93,296	95,708
Investments in subsidiaries (Note 2)	2,277,132	2,305,747
Trust Funds held by Federal Government (Note 8)	3,228,023	3,137,085
	<u>13,482,651</u>	<u>10,506,905</u>
Liabilities		
Bank operating line of credit (Note 9)	244,017	289,890
Accounts payable	4,336,175	1,736,914
Due to Indigenous and Northern Affairs Canada (Note 11)	75,361	218,918
Due to Province	40,002	9,016
Deferred revenue (Note 3)	1,527,719	1,053,490
Post employment retirement benefits (Note 4)	304,270	318,583
Long term debt (Note 6)	11,822,788	12,500,749
	<u>18,350,332</u>	<u>16,127,560</u>
Net financial assets (debt)	<u>(4,867,681)</u>	<u>(5,620,655)</u>
Non-financial assets		
Tangible capital assets (Schedule 1)	25,612,643	26,542,032
Prepaid expenses and inventory of supplies	332,831	282,078
	<u>25,945,474</u>	<u>26,824,110</u>
Accumulated surplus (Note 7)	<u>\$ 21,077,793</u>	<u>\$ 21,203,455</u>

On behalf of Council



Chief



Chief Executive Officer
FINANCE MANAGER

The accompanying notes are an integral part of these financial statements.

Garden River First Nation Consolidated Statement of Operations

For the year ended March 31	Budget	2018	2017
Revenue			
Indigenous and Northern Affairs Canada	\$ 11,023,261	\$ 10,866,553	\$ 10,150,583
Canada	4,283,729	3,527,238	2,340,870
Ontario	1,659,758	2,578,723	2,224,795
Other Aboriginal organizations	3,423,643	3,113,466	3,187,303
Garden River First Nation trusts	22,660	247,634	277,127
OFNLP	1,115,777	1,372,151	1,351,931
Interest and other revenue	1,234,966	1,713,457	1,186,187
User fees, rental income, sales, fund raising and gravel royalties	16,953,406	15,318,986	16,581,728
FHIT (Note 8)	-	90,938	83,482
	39,717,200	38,829,146	37,384,006
Due (to) from Indigenous and Northern Affairs Canada	-	143,557	(48,844)
Due (to) from other funders	-	(29,539)	(6,175)
	39,717,200	38,943,164	37,328,987
Expenses			
Social and family services	3,621,623	3,701,157	3,587,930
Administration, lands and economic development	2,328,039	1,761,622	1,569,332
Education	8,393,372	8,369,884	7,886,053
Operations and maintenance	1,407,944	2,303,376	2,227,071
Housing development	2,351,441	1,837,775	1,573,112
Medical and other health services	3,973,675	4,348,980	2,501,266
Enterprises	15,941,156	14,751,692	15,543,392
Other	1,784,497	2,025,825	2,226,288
	39,801,747	39,100,311	37,114,444
	(84,547)	(157,147)	214,543
Annual surplus (deficit) from enterprises			
Construction Equipment Co. (Sault) Inc.	-	6,893	92,844
2104298 Ontario Inc	-	24,592	16,018
Annual surplus (deficit)	(84,547)	(125,662)	323,405
Accumulated surplus, beginning of year	21,203,455	21,203,455	20,880,050
Accumulated surplus, end of year	\$ 21,118,908	\$ 21,077,793	\$ 21,203,455

The accompanying notes are an integral part of these financial statements.

Garden River First Nation
Consolidated Statement of Change in Net Financial Assets (Debt)

<u>For the year ended March 31</u>	<u>Budget</u>	<u>2018</u>	<u>2017</u>
Annual surplus (deficit)	\$ (84,547)	\$ (125,662)	\$ 323,405
Acquisition of tangible capital assets	(232,446)	(701,680)	(1,642,458)
Amortization of tangible capital assets	-	1,631,069	1,626,137
Prepaid expenses and inventory of supplies	-	(50,753)	5,566
Net change in net financial assets (debt)	(316,993)	752,974	312,650
Net financial debt, beginning of year	(5,620,655)	(5,620,655)	(5,933,305)
Net financial debt, end of year	\$ (5,937,648)	\$ (4,867,681)	\$ (5,620,655)

The accompanying notes are an integral part of these financial statements.

Garden River First Nation

Consolidated Statement of Cash Flows

For the year ended March 31	2018	2017
Cash flows from operating activities		
Annual surplus (deficit)	\$ (125,662)	\$ 323,405
Items not involving cash		
Net income - Construction Equipment Co. (Sault) Inc.	(6,893)	(92,844)
Net income - 2104298 Ontario Inc.	(24,592)	(16,018)
Amortization	1,631,069	1,626,137
	<u>1,473,922</u>	<u>1,840,680</u>
Changes in non-cash working capital balances		
Accounts receivable	(372,554)	(523,654)
Due to/from Indigenous and Northern Affairs Canada	(143,557)	48,844
Inventory for resale	2,412	(21,565)
Due to/from Community Trust	78,396	(196,466)
Accounts payable	2,630,348	(619,054)
Deferred revenue	474,229	474,641
Prepaid expenses and inventory of supplies	(50,754)	5,565
Post retirement benefits	(14,313)	(25,711)
Trust Funds held by Federal Government	(90,938)	(8,482)
	<u>3,987,191</u>	<u>974,798</u>
Cash flows from capital transactions		
Acquisition of tangible capital assets	(701,680)	(1,642,458)
Cash flows from investing activities		
Dividends received during the year	60,000	-
Cash flows from financing activities		
Bank operating line of credit	(45,873)	(59,074)
Long term debt repaid	(677,961)	585,962
	<u>(723,834)</u>	<u>526,888</u>
Increase (decrease) in cash	<u>2,621,677</u>	<u>(140,772)</u>
Cash, beginning of year	<u>2,346,869</u>	<u>2,487,641</u>
Cash, end of year	<u>\$ 4,968,546</u>	<u>\$ 2,346,869</u>

Garden River First Nation

Notes to Consolidated Financial Statements

March 31, 2018

1. Summary of significant accounting policies

- a) **Basis of accounting** These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board.
- b) **Reporting entity** The Garden River First Nation reporting entity includes the First Nation government and all entities that are controlled by the First Nation.
- c) **Principles of consolidation** All controlled entities are fully consolidated on a line-by-line basis except for commercial enterprises which meet the definition of a government business enterprise, which are included in the consolidated financial statements on a modified equity basis. Inter-organizational balances and transactions are eliminated upon consolidation.
- Organizations accounted for on a modified equity basis include:
- 2104298 Ontario Inc.
 - Construction Equipment Co. (Sault) Inc.
- Under the modified equity method of accounting, only Garden River First Nation's portion of 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 the First Nation, and inter-organizational balances and transactions are not eliminated.
- d) **Cash and short term securities** The First Nation's bank accounts and short term deposit receipts are maintained at two financial institutions.
- e) **Inventories for resale** Inventories of supplies and goods available for resale are recorded at the lower of cost and net realizable value.
- f) **Tangible capital assets** Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing in the year the asset is available for productive use as follows:
- | | |
|-------------------------|----------------|
| Land improvements | 15 years |
| Buildings | 20 to 40 years |
| Infrastructure | 15 to 45 years |
| Vehicles | 7 years |
| Machinery and equipment | 10 to 20 years |
- In the year of acquisition tangible capital assets are amortized at one-half the above rates.
- Tangible capital assets under construction, development or that have been removed from service are not amortized until they are available to be put into service.

Garden River First Nation Notes to Consolidated Financial Statements

March 31, 2018

1. Summary of significant accounting policies (continued)

g) Pension plan

Garden River First Nation provides a defined contribution plan for its employees. The pension costs are charged to operations as contributions are due. Contributions are a defined amount whereby the employer matches that paid by the employee.

h) Revenue recognition

Revenue is recognized in the period in which the transactions or events occurred that gave rise to the revenue. All revenue is recorded on an accrual basis.

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Contributions, other than government transfers, are deferred when restrictions are placed on their use by the external contributor, and are recognized as revenue when used for the specific purpose.

Revenue related to fees or services received in advance of the fee being earned or the service is performed is deferred and recognized when the fee is earned or service performed.

i) Use of estimates

The preparation of 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 at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Garden River First Nation

Notes to Consolidated Financial Statements

March 31, 2018

2. Investments in subsidiaries

Garden River First Nation accounts for its investments in Construction Equipment Co. (Sault) Inc. and 2104298 Ontario Inc. by the modified equity method. The equity method initially records the investment at cost and then is increased or decreased by the First Nation's pro-rata share of income or loss and is reduced by distributions received. This equity method is modified only to the extent that the accounting policies of Construction Equipment Co. (Sault) Inc. and 2104298 Ontario Inc. are not adjusted to conform to the Garden River First Nation accounting policies as recommended by Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

	2018	2017
Construction Equipment Co. (Sault) Inc.:		
Issued common shares - 100	\$ 502	\$ 502
Capital contributions	117,942	117,942
Accumulated surplus	1,795,374	1,848,580
	1,913,818	1,967,024
Advances receivable, interest free	198,052	198,052
	2,111,870	2,165,076
2104298 Ontario Inc.:		
Issued common shares - 1	1	1
Accumulated surplus	147,687	123,096
	147,688	123,097
Advances receivable, interest free	17,574	17,574
	165,262	140,671
	\$ 2,277,132	\$ 2,305,747

Reclassified prior year numbers to conform with current year presentation.

Financial information for the year ended March 31, 2018 is as follows:

	Construction Equipment Co. (Sault) Inc - 50%		2104298 Ontario Inc. - 50%	
	2018	2017	2018	2017
Assets	\$ 8,547,153	\$ 7,889,635	\$ 902,648	\$ 923,979
Liabilities and non-controlling interest	4,719,518	3,955,786	607,272	677,786
Revenue	6,133,014	7,240,556	104,140	104,140
Net income (loss)	(46,214)	245,688	49,183	32,037

Garden River First Nation Notes to Consolidated Financial Statements

March 31, 2018

3. Deferred revenue

	Balance March 31, 2017	Funding Received 2018	Revenue Recognized 2018	Balance March 31, 2018
Indigenous Affairs	\$ 292,820	\$ 11,246,231	\$ 10,866,553	\$ 672,498
Health Canada	509,073	2,929,274	2,731,164	707,183
North Shore Tribal Council	168,297	2,751,395	2,789,822	129,870
Other	83,300	128,453	193,585	18,168
	<u>\$ 1,053,490</u>	<u>\$ 17,055,353</u>	<u>\$ 16,581,124</u>	<u>\$ 1,527,719</u>

Deferred revenue by program is as follows:

Social and family support:	
Niigaaniin - administration	\$ 20,735
Administration, lands and economic development:	
Ojibway Park Rehabilitation Project	431,818
Lajambe Site Cleanup	44,098
Education:	
Special education	45,128
New path proposals	3,649
Support & Ancillary	33,758
Jordan's Principal	19,027
Mentored work experience	95,021
Health Services:	
Health transfer programs	702,450
NSTC - footcare	4,733
Other:	
NSTC job training	57,857
NSTC CRF & Job fund	51,277
Golf Resorts:	
Golf memberships	18,168
	<u>\$ 1,527,719</u>

4. Post employment and retirement benefits

Employees are eligible to participate in a defined contribution pension plan. Employer contributions totaled \$245,247 (2017 - \$237,005) and were fully expensed.

On February 28, 2012 Garden River First Nation approved a retirement policy in recognition of employees hired prior to 1997. The policy allows employees hired before 1997 and who have had no break in employment, may upon meeting specific retirement criteria, become entitled to two week's pay at their current rate, for every continuous year of service prior and up to 1997.

The liability for these accumulated weeks, to the extent that they have vested and could be taken in cash by an employee on retirement amounted to \$304,270 (2017 - \$318,583) at the end of the year.

5. Garden River First Nation Community Trust

The funds are advanced to the First Nation as a beneficiary of the Trust and are subject to the Trust provisions governing the disbursement of such funds.

Garden River First Nation
Notes to Consolidated Financial Statements

March 31, 2018

6. Long term debt

	<u>2018</u>	<u>2017</u>
CMHC rental housing mortgages		
Canada Mortgage and Housing Mortgages, payable in blended monthly payments ranging from \$1,225 to \$5,736, including interest at various rates from 1.05% to 2.69%, renewals on various dates from 2016 to 2020, secured by Ministerial guarantees by the Indigenous and Northern Affairs Canada (INAC)	\$ 7,773,575	\$ 8,371,471
Canada Mortgage and Housing, loan advances	1,290,000	1,078,122
Royal Bank term loan, repayable \$1,044 monthly including interest at 4.904%, secured by equipment due December 2022	52,965	-
Bank loans		
Royal Bank term loan, repayable \$824 monthly plus interest at 3.53%, due November 2021	33,960	42,482
Royal Bank term loan, repayable \$12,625 monthly including interest at 5.1%, due September 11, 2017	604,336	725,255
Royal Bank term loan, repayable \$6,280 per month including interest at 3.76%, secured by automotive equipment, due November 2021	259,238	323,529
Royal Bank term loan, repayable \$16,663 monthly including interest at 3.25%, due September 17, 2016	1,775,212	1,915,938
Equipment loans		
Lien note, repayable in 60 monthly payments \$1,027, interest free, secured by equipment, repaid during year	-	3,080
Ford loan, repayable \$670 monthly interest free, due April 2022, secured by equipment	33,502	40,872
	<u>\$ 11,822,788</u>	<u>\$ 12,500,749</u>

Interest paid on long term debt during the year amounted to \$210,379 (2017 - \$261,900).

Assuming renewal on comparable terms, principal payments required on long term debt for the next five years and thereafter are due as follows:

Year	Amount
2019	\$ 1,489,597
2020	896,075
2021	872,531
2022	863,942
2023	806,072
Thereafter	<u>6,894,571</u>
	<u>\$ 11,822,788</u>

Garden River First Nation
Notes to Consolidated Financial Statements

March 31, 2018

7. Accumulated surplus

	2018	2017
Reserves set aside for specific purposes by Chief and Council:		
Working capital	\$ 5,343,646	\$ 5,353,641
Cemetery	303	-
Education - feathers fund	91,476	91,476
GRFN initiatives	7,273	7,273
Post secondary employment	270,536	60,192
Private school - AIM curriculum	298,070	174,561
Daycare	4,477	4,477
Housing demonstration	67,442	111,517
Firefighter trainee	-	5,062
NSTC - MOU	32,978	32,978
Great lakes brushing	43,365	4,167
Fire and ambulance	-	32,865
Road capital	9,488	15,079
Community Building Capital	32,629	70,718
Union Gas Brushing	73,548	70,548
Housing - non-social	31,332	183,429
Food bank / Christmas Cheer	40,764	31,783
Fundraising committee	52	4,191
Gravel operations	50,000	50,000
OFNLP	751,171	751,171
OFNLP - future generations	281,012	281,012
OFNLP - 2008 Limited partnership agreement	713,120	399,902
Grader operations	10,000	10,000
Community Trust - Addition AIM	12,780	12,780
Annual Golf Classic	11,739	8,905
Western boundary	46,607	73,320
Education vans	93,216	93,216
Lands and trust	1,752	12,245
Library	6,551	6,551
Public works fleet	30,000	30,000
Membership	16,269	12,117
United Church of Canada	-	13,390
Forestry preservation	17,389	18,458
School of medicine	17,236	11,524
Niigaaniin Van	1,715	1,715
Bingo	72,000	36,000
CHRT	50,000	50,000
Dialysis	54,332	33,278
ONFFS	41,104	41,104
Healing lodge	7,973	-
National Aboriginal Day	2,100	-
Early years	162,311	-
Fire dept fundraising	2,300	-
Ojibway Park	2,951	-
Reserve Funds:		
Health Canada - moveable asset reserve	317,284	301,666
Canada Mortgage and Housing Corporation	177,249	240,630
Squirrel Island	95,034	95,034
Funds Held in Trust	2,191,998	1,943,737
	11,584,572	10,781,712
Equity in tangible capital assets	13,700,840	13,906,394
General surplus (deficit)	(9,410,910)	(8,593,913)
Equity in enterprises (excludes advances receivable)	2,121,604	2,090,120
Unfunded expenditures to be recovered in future	(264,406)	(314,406)
Community Trust	118,070	196,463
Funds held in trust by Federal Government	3,228,023	3,137,085
	\$ 21,077,793	\$ 21,203,455

Garden River First Nation

Notes to Consolidated Financial Statements

March 31, 2018

7. Accumulated surplus (continued)

	2018	2017
Allocation of annual surplus (deficit):		
Reserves	\$ 802,855	\$ 834,666
Equity in tangible capital assets	(205,554)	(525,567)
General surplus (deficit)	(816,992)	(349,502)
Equity in enterprises	31,484	108,863
Unfunded expenditures to be recovered in future	50,000	50,000
Community trust reserve	(78,393)	196,463
Funds held in trust	90,938	8,482
	<u>\$ (125,662)</u>	<u>\$ 323,405</u>

Unfunded liabilities to be recovered in future years are as follows:

Public works automotive equipment	<u>\$ 264,406</u>	<u>\$ 314,406</u>
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The Public works automotive equipment amounts are to be recovered from future Public Works contracts and other revenues.

8. Trust Funds held by Federal Government

	March 31, 2017	Additions 2018	Withdrawals 2018	March 31, 2018
Revenue	\$ 1,602,439	\$ 90,938	\$ -	\$ 1,693,377
Capital	1,534,646	-	-	1,534,646
	<u>\$ 3,137,085</u>	<u>\$ 90,938</u>	<u>\$ -</u>	<u>\$ 3,228,023</u>

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 Section 63 to 69 of the Indian Act.

9. Credit facilities

The First Nation has a \$500,000 operating line of credit bearing interest at prime plus 1%. As at March 31, 2018, a balance of \$NIL was outstanding on this credit facility.

The First Nation has a \$200,000 operating line of credit for Bingo Hall operations bearing interest at prime plus 1%. As at March 31, 2018, a balance of \$155,000 was outstanding on this credit facility.

The First Nation has a \$500,000 revolving lease line of credit by way of leases bearing interest at 4%. As at March 31, 2018, a balance of \$348,255 was outstanding on this credit facility.

The above credit facilities and the demand instalment loan are secured by Band Council Resolution, \$300,000 guaranteed investment certificate and a general security agreement constituting a first security interest in all assets of the Borrower except real property.

Garden River First Nation

Notes to Consolidated Financial Statements

March 31, 2018

10. Commitments

The First Nation has entered into agreements to lease office and golf course equipment and solar panels for various periods until 2021. Minimum lease payments for each of the next three years are as follows:

2019	\$	239,652
2020		18,202
2021		10,017

11. Indigenous and Northern Affairs Canada funding

The Garden River First Nation has a contribution arrangement with Indigenous and Northern Affairs Canada (INAC). The funds are used by the First Nation to administer its operations and provide service to its members in accordance with the terms of the funding arrangement.

The following is a reconciliation of funding provided:

INAC revenue per consolidated statement of operations	\$ 10,866,553
Less: Deferred revenue, beginning of year	(292,820)
Add: Deferred revenue, end of year	<u>672,498</u>
	<u>\$ 11,246,231</u>
Indigenous and Northern Affairs Canada funding per confirmation report	<u>\$ 11,246,231</u>
Amounts due (to) / from INAC:	
- Tuition - 2014/15 and prior	\$ (59,577)
- Tuition - 2015/16	(109,007)
- Tuition - 2016/17	(47,490)
- Tuition - 2017/18	148,973
Homemakers (adult care)	<u>(8,260)</u>
	<u>\$ (75,361)</u>

12. Contingencies

Loan guarantees

The First Nation has an agreement with the Royal Bank under the First Nation on Reserve Loan Program providing for an aggregate credit facility in the amount of \$10,000,000 for qualified members of Garden River First Nation. The First Nation must guarantee the full amount of the loan, however in the event the First Nation transfers for fair market value the building or improvement in respect of which the loan was made and the fair market value is less than the amount paid by the First Nation to the Bank under the guarantee, the Bank shall reimburse to the First Nation 20% of the shortfall as subject to the provisions in the loan agreement. As of March 31, 2018 the First Nation has guaranteed loans in the amount of \$3,427,744.

The First Nation has an agreement with the Bank of Montreal under the First Nation on Reserve Loan Program providing for an aggregate credit facility in the amount of \$3,900,000 and \$250,000 under the First Nation on Reserve Renovation Loan Program for qualified members of Garden River First Nation. As of March 31, 2018 the First Nation has guaranteed loans in the amount of \$3,174,959.

The Garden River First Nation also has guaranteed housing program loans on behalf of various band members and is contingently liable to the Deposit Insurance Corporation of Ontario if band members default. As at March 31, 2018 the balance of loans outstanding is \$333,000.

The First Nation has provided a guarantee in the amount of \$507,500 in favour of the Bank of Montreal on behalf of the Robinson Huron Treaty Ojibewa (Anishinabe). This represents 7% of the total loan of \$7,250,000 being guaranteed by 21 participating First Nation Communities that are settlors and beneficiaries of the Robinson Huron Treaty Trust.

Garden River First Nation Notes to Consolidated Financial Statements

March 31, 2018

12. Contingencies (continued)

Litigation

Garden River First Nation is defending a land claim issue for which the amount is currently not known. The outcomes of this matter is not presently determinable. The First Nation is also defending a claim with respect to wrongful dismissal of an employee. The outcome of this matter is not presently determinable. The first Nation, along with 2 other parties, are defending a claim for payment of loan guarantee due to default of payment. The outcome is not presently determinable. Accordingly, the cost, if any, of settlement will be recognized as an expense in the year of resolution.

13. Segmented information

The Garden River First Nation is a diversified government institution that provides a wide range of services to its members, including education, infrastructure maintenance, medical and other health services, administration, capital, enterprises and other services. For management reporting purposes the First Nation's operations and activities are organized and reported by Fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

Services are provided by departments and their activities are reported in these funds. Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

Social and family services

This department is responsible for administering programs focusing on improving the lives of members and families of the First Nation, including social assistance, funeral and adult care policies, and as well, providing services directed towards members including day care and employment support initiatives.

Administration, lands & trusts and economic development

The administration department oversees the delivery of all governmental services. The department is responsible for ensuring that there are adequate policies and procedures in place to safeguard assets and to properly report financial activities. In addition, this department includes the governance activities of chief and council. This department also oversees economic development programs within the community.

Education

The education department provides services to elementary and secondary students primarily by entering into service contracts with provincially funded area school boards, as well as native language study. In addition, the department reimburses tuition costs and provides living and other allowances to students who are attending post-secondary institutions.

Operations and maintenance

The infrastructure department provides public services that contribute to community development and sustainability through the provision of operating services such as roads, water and sanitation, fire protection, electrical and community buildings.

Housing development

This department oversees construction and renovation of housing in the community and as well, operates the CMHC projects and other band-owned homes.

Medical and other health services

The community wellness department provides a diverse bundle of services directed towards the well-being of members including such activities as long term care, medical transportation, pre-natal and early childhood care, nursing, health representation, traditional healing, family violence prevention and many other smaller programs designed to enhance the health of members.

Garden River First Nation
Notes to Consolidated Financial Statements

March 31, 2018

13. Segmented information (continued)

Enterprises

Band operated enterprises are activities conducted by the First Nation with the objective of promoting economic self-sufficiency. These activities could include income generated from renting out band-owned equipment, lease income and other projects from time to time.

Other services

The First Nation provides a wide array of other services, including youth employment projects, forestry, library, spiritual, cultural and recreation activities.

For each reported segment, revenues and expenses include 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, including transfers that have been apportioned based on a percentage of budgeted expenses.

Expenses are grouped based on object. Contracted services include items such as professional fees, telephone, utilities, insurance, repairs and maintenance, advertising and subcontracts. Rentals and financial expenses includes items such as rent, equipment rental and interest and bank charges.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in the summary of significant accounting policies. For additional information see Schedule 2 - Consolidated Segment Disclosure.

14. Budget

The budget adopted by the First Nation was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Public Sector Accounting Standards require a full accrual basis. The budget figures anticipated use of reserves to reduce current year expenditures. In addition, the budget expensed all tangible capital expenditures rather than including amortization expense, and expensed principal payments of debt. As a result, the budget figures presented in the statements of operations and change in net financial assets (debt) represent the budget adopted by the First Nation with adjustments as follows:

Budget deficit for the year	\$ (475,327)
Add:	
Capital expenditures	-
Principal portion of loan payments	390,780
	<hr/>
Budget deficit per statement of operations	\$ (84,547)

Garden River First Nation

Schedule 1 - Consolidated Tangible Capital Assets

For the year ended March 31, 2018

	Land	Land Improve- ments	Buildings	Machinery and Equipment	Vehicles	Infrastructure	Construction in Progress	Total
Cost, beginning of year	\$ 2,666,993	\$ 2,753,744	\$ 26,661,386	\$ 4,808,322	\$ 1,736,392	\$ 11,576,392	\$ 1,078,122	\$ 51,281,351
Additions	-	-	-	115,756	217,446	-	368,478	701,680
Cost, end of year	2,666,993	2,753,744	26,661,386	4,924,078	1,953,838	11,576,392	1,446,600	51,983,031
Accumulated amortization, beginning of year	-	586,033	11,295,979	3,828,942	782,383	8,245,982	-	24,739,319
Amortization	-	78,888	828,876	305,831	220,514	196,960	-	1,631,069
Accumulated amortization, end of year	-	664,921	12,124,855	4,134,773	1,002,897	8,442,942	-	26,370,388
Net carrying amount, end of year	\$ 2,666,993	\$ 2,088,823	\$ 14,536,531	\$ 789,305	\$ 950,941	\$ 3,133,450	\$ 1,446,600	\$ 25,612,643

The net book value of tangible capital assets not being amortized because they are under construction/development or have been removed from service is \$1,446,600 (2017 - \$1,078,122).

The First Nation holds various works of art and historical treasures. These items are not recognized as tangible capital assets in the financial statements because a reasonable estimate of the future benefits association with such property cannot be made.

Garden River First Nation

Schedule 1 - Consolidated Tangible Capital Assets (continued)

For the year ended March 31, 2017 (comparative figures)

	Land	Land Improve- ments	Buildings	Machinery and Equipment	Vehicles	Infrastructure	Construction in Progress	Total
Cost, beginning of year	\$ 2,666,993	\$ 2,753,744	\$ 26,153,618	\$ 4,808,322	\$ 1,201,717	\$ 11,576,392	\$ 478,107	\$ 49,638,893
Additions	-	-	29,661	-	534,675	-	1,078,122	1,642,458
Capitalized construction	-	-	478,107	-	-	-	(478,107)	-
Cost, end of year	2,666,993	2,753,744	26,661,386	4,808,322	1,736,392	11,576,392	1,078,122	51,281,351
Accumulated amortization, beginning of year	-	507,407	10,480,694	3,463,206	613,012	8,048,863	-	23,113,182
Amortization	-	78,626	815,285	365,736	169,371	197,119	-	1,626,137
Accumulated amortization, end of year	-	586,033	11,295,979	3,828,942	782,383	8,245,982	-	24,739,319
Net carrying amount, end of year	\$ 2,666,993	\$ 2,167,711	\$ 15,365,407	\$ 979,380	\$ 954,009	\$ 3,330,410	\$ 1,078,122	\$ 26,542,032

The net book value of tangible capital assets not being amortized because they are under construction (or development or have been removed from service) is \$1,078,122 (2016 - \$478,107).

The First Nation holds various works of art and historical treasures. These items are not recognized as tangible capital assets in the financial statements because a reasonable estimate of the future benefits association with such property cannot be made.

Garden River First Nation

Schedule 2 - Consolidated Schedule of Segment Disclosure

For the year ended March 31, 2018

	Social and Family Services	Administration Lands Trusts & Economic Development	Education	Operations and Maintenance	Housing Development	Medical and Other Health Services	Enterprises	Other	Consolidated Total
Revenue									
Indigenous and Northern Affairs Canada	\$ 180,579	\$ 1,173,377	\$ 8,289,473	\$ 805,979	\$ 301,585	\$ 92,300	\$ -	\$ 23,260	\$ 10,866,553
Canada	-	126,056	-	-	480,229	2,836,788	-	84,165	3,527,238
Ontario	1,076,147	99,885	-	201,005	-	355,276	-	846,410	2,578,723
Other aboriginal organizations	2,235,183	-	-	7,505	-	400,327	-	470,451	3,113,466
Trust income	-	-	-	-	-	-	-	338,572	338,572
OFNLP	-	-	-	-	-	-	-	-	-
Interest and other revenue	9,709	177,740	36,720	-	-	-	1,372,151	-	1,372,151
User fees, rental income, sales and fund raising	128,569	40,287	90,450	127,096	229,306	932,030	-	200,856	1,713,457
Transfer between segments	-	50,000	-	181,791	786,828	-	13,936,394	154,667	15,318,986
	-	-	-	551,822	-	-	(833,965)	232,143	-
Due from (to) Indigenous and Northern Affairs Canada	3,630,187	1,667,345	8,416,643	1,875,198	1,797,948	4,616,721	14,474,580	2,350,524	38,829,146
Due from (to) Other Funders	(5,416)	-	148,973	-	-	-	-	-	143,557
	-	-	-	-	-	-	-	(29,539)	(29,539)
	3,624,771	1,667,345	8,565,616	1,875,198	1,797,948	4,616,721	14,474,580	2,320,985	38,943,164
Expenses									
Salaries, wages and benefits	1,741,230	1,213,466	1,276,885	917,406	260,869	2,235,147	2,594,309	1,029,517	11,268,829
Materials and supplies	238,772	386,183	80,850	237,081	175,529	282,879	1,610,918	456,905	3,469,117
Contracted services	35,290	727,475	682,394	582,803	752,290	1,566,797	961,290	229,848	5,538,187
Rents and financial expenses	142,967	9,625	66,900	146,361	111,058	14,400	343,115	99,331	933,757
External transfers and other	1,370,139	-	6,170,280	-	-	-	8,594,411	124,522	16,259,352
Amortization	51,465	-	11,742	409,639	491,662	96,847	539,459	30,255	1,631,069
Transfers between segments	121,294	(575,127)	80,833	10,086	46,367	152,910	108,190	55,447	-
	3,701,157	1,761,622	8,369,884	2,303,376	1,837,775	4,348,980	14,751,692	2,025,825	39,100,311
Net surplus (deficit)	\$ (76,386)	\$ (94,277)	\$ 195,732	\$ (428,178)	\$ (39,827)	\$ 267,741	\$ (277,112)	\$ 295,160	\$ (157,147)

The accompanying notes are an integral part of these financial statements.

Garden River First Nation Schedule 2 - Consolidated Schedule of Segment Disclosure (continued)

For the year ended March 31, 2017

	Social and Family Services	Administration Lands Trusts & Economic Development	Education	Operations and Maintenance	Housing Development	Medical and Other Health Services	Enterprises	Other	Consolidated Total
Revenue									
Indigenous and Northern Affairs Canada	\$ 179,660	\$ 1,071,545	\$ 7,823,644	\$ 824,419	\$ 234,615	\$ -	\$ -	\$ 16,700	\$ 10,150,583
Canada	-	50,000	-	-	526,470	1,718,624	-	45,776	2,340,870
Ontario	1,138,524	170,625	-	106,896	-	103,423	-	705,327	2,224,795
Other aboriginal organizations	2,029,868	4,000	51,370	7,909	-	374,872	-	719,284	3,187,303
Trust income	-	-	-	-	-	-	-	360,609	360,609
OFNLP	-	-	-	-	-	-	-	-	-
Interest and other revenue	-	-	-	-	-	-	1,351,931	-	1,351,931
User fees, rental income, sales and fund raising	250	164,129	37,000	60,510	109,863	402,496	55,568	356,371	1,186,187
Transfers between segments	208,929	36,230	116,289	281,448	794,776	-	14,982,447	161,609	16,581,728
	-	50,000	-	602,353	-	-	(975,123)	322,770	-
Due from (to) Indigenous and Northern Affairs Canada	3,557,231	1,546,529	8,028,303	1,883,535	1,665,724	2,599,415	15,414,823	2,688,446	37,384,006
Due from (to) Other Funders	(1,354)	-	(47,490)	-	-	-	-	-	(48,844)
	3,555,877	1,546,529	7,980,813	1,883,535	1,665,724	2,599,415	15,414,823	2,682,271	37,328,987
Expenses									
Salaries, wages and benefits	1,634,235	1,196,821	1,127,955	893,422	269,945	1,686,708	2,559,756	1,078,456	10,447,298
Materials and supplies	150,835	271,856	120,107	146,783	156,769	230,241	1,528,369	532,420	3,137,380
Contracted services	108,728	680,340	572,864	596,466	489,407	416,227	831,443	152,309	3,847,784
Rents and financial expenses	122,363	25,472	63,417	175,977	120,292	9,600	396,454	180,409	1,093,984
External transfers and other	1,369,810	-	5,899,800	-	-	-	9,567,635	124,616	16,961,861
Amortization	49,452	-	11,742	406,151	486,997	74,347	567,585	29,863	1,626,137
Transfers between segments	152,507	(605,157)	90,168	8,272	49,702	84,143	92,150	128,215	-
	3,587,930	1,569,332	7,886,053	2,227,071	1,573,112	2,501,266	15,543,392	2,226,288	37,114,444
Excess (deficiency) of revenue over expenses	\$ (32,053)	\$ (22,803)	\$ 94,760	\$ (343,536)	\$ 92,612	\$ 98,149	\$ (128,569)	\$ 455,983	\$ 214,543

The accompanying notes are an integral part of these financial statements.