
LAKE MANITOBA TREATY 2 FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

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LAKE MANITOBA TREATY 2 FIRST NATION

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MARCH 31, 2014

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Lake Manitoba Treaty 2 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. Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.


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

The First Nation's Chief and Council is responsible for ensuring that management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

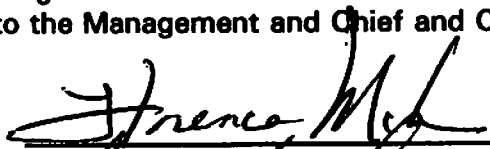
Management reviews the First Nation's financial statements with Chief and Council and recommends their approval. The Chief and Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities and to review the annual report, the financial statements and the external auditors' report.

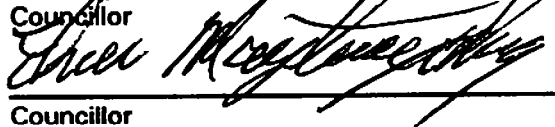
The consolidated financial statements have been audited by Collins Barrow HMA LLP in accordance with Canadian generally accepted auditing standards on behalf of the members. Collins Barrow HMA LLP have full and free access to the Management and Chief and Council.




Chief


Councillor



Councillor


Councillor


INDEPENDENT AUDITORS' REPORT

To the Chief, Council and Membership
Lake Manitoba Treaty 2 First Nation

We have audited the accompanying consolidated financial statements of Lake Manitoba Treaty 2 First Nation, which comprise the consolidated statement of financial position as at March 31, 2014, and the consolidated statements of operations, and accumulated surplus, changes 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 Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards prescribed for government entities 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 financial statements are free of 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 Lake Manitoba Treaty 2 First Nation as at March 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards prescribed for government entities.

Collins Barrow HMA LLP

CHARTERED ACCOUNTANTS

Winnipeg, Manitoba
July 17, 2014

LAKE MANITOBA TREATY 2 FIRST NATION

STATEMENT 1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

YEAR ENDED MARCH 31

2014

2013

(Restated)

FINANCIAL ASSETS

Accounts receivable (Note 3)	\$ 2,647,238	\$ 4,023,787
Restricted cash (Note 5)	399,912	345,941
Inventory (Note 7)	<u>71,418</u>	<u>71,418</u>
	<u>3,118,568</u>	<u>4,441,146</u>

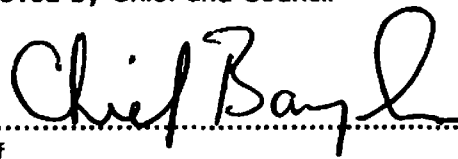
LIABILITIES


Bank indebtedness (Note 6)	2,541,399	3,930,934
Accounts payable and accrued liabilities (Note 8)	1,760,930	1,363,857
Deferred revenue (Note 9)	632,405	632,404
Long term debt (Note 10)	<u>8,286,891</u>	<u>8,348,879</u>
	<u>13,221,625</u>	<u>14,276,074</u>
Net debt	<u>(10,103,057)</u>	<u>(9,834,928)</u>

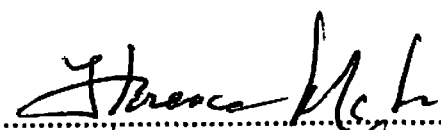
NON-FINANCIAL ASSETS

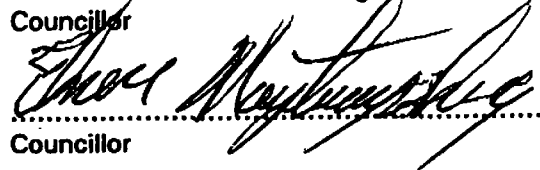
Prepaid expenses	14,344	126,594
Tangible capital assets (Note 22)	31,030,825	31,072,048
Construction in progress (Note 11)	<u>321,526</u>	<u>321,452</u>
	<u>31,045,169</u>	<u>31,520,094</u>
Accumulated surplus	\$ <u>21,263,638</u>	\$ <u>21,685,166</u>
Contingencies (Note 17)		

Approved by Chief and Council


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Chief


.....
Councillor


.....
Councillor


.....
Councillor



LAKE MANITOBA TREATY 2 FIRST NATION

STATEMENT 2

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

YEAR ENDED MARCH 31

	BUDGET (Unaudited)	2014	2013 (Restated)
REVENUE			
Aboriginal Affairs and Northern Development Canada	\$ 9,837,759	\$ 9,836,302	\$ 14,321,827
Health Canada	1,465,991	1,604,165	1,521,879
Province of Manitoba		686,956	648,389
Canada Mortgage and Housing Corporation	470,452	473,589	470,452
First People Development Inc.	404,022	406,118	424,613
Sales - Gas Bar and Convenience Store		3,294,905	3,298,388
VLT Revenue		807,102	969,309
Rental revenue - CMHC	268,243	268,243	605,310
Other revenue	176,330	910,491	536,212
Deferred revenue from prior year		632,405	807,637
Deferred revenue to next year	-	(632,405)	(632,405)
	<u>12,622,797</u>	<u>18,287,871</u>	<u>22,971,611</u>
EXPENDITURES			
Administration	810,064	869,525	840,182
Capital projects	2,601,600	2,675,993	2,402,540
Community wellness	1,523,906	1,622,186	1,519,790
Community and economic development	690,896	5,783,208	5,814,158
Community services	398,937	353,629	341,295
Education	3,452,592	3,648,395	3,441,404
Housing	892,283	998,522	878,992
Social services	<u>2,775,554</u>	<u>2,757,941</u>	<u>2,839,862</u>
	<u>13,145,832</u>	<u>18,709,399</u>	<u>18,078,223</u>
ANNUAL SURPLUS (DEFICIT)		(421,528)	4,893,388
ACCUMULATED SURPLUS, beginning of year as previously reported		<u>21,598,838</u>	<u>17,039,627</u>
Prior period adjustment (Note 20)		<u>86,328</u>	(247,849)
As restated		<u>21,685,166</u>	<u>16,791,778</u>
ACCUMULATED SURPLUS, end of year		<u>\$ 21,263,638</u>	<u>\$ 21,685,166</u>

LAKE MANITOBA TREATY 2 FIRST NATION

STATEMENT 3

CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT

YEAR ENDED MARCH 31

	2014	2013 (Restated)
ANNUAL SURPLUS (DEFICIT)	\$(421,528)	\$ 4,893,388
Purchase of tangible capital assets	(2,769,678)	(8,173,206)
Amortization of tangible capital assets	<u>2,810,901</u>	<u>2,483,365</u>
	<u>41,223</u>	<u>(5,689,841)</u>
Acquisition of construction in progress	(321,527)	(321,453)
Use of construction in progress	<u>321,453</u>	<u>321,453</u>
	<u>(74)</u>	<u>-</u>
Acquisition of prepaid expenses	(14,345)	(126,595)
Use of prepaid expenses	<u>126,595</u>	<u>140,923</u>
	<u>112,250</u>	<u>14,328</u>
CHANGE IN NET DEBT FOR YEAR	(268,129)	(782,125)
NET DEBT, <i>beginning of year</i>	<u>(9,834,928)</u>	<u>(9,052,803)</u>
NET DEBT, <i>end of year</i>	<u>\$(10,103,057)</u>	<u>\$(9,834,928)</u>

LAKE MANITOBA TREATY 2 FIRST NATION

STATEMENT 4

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31

	2014	2013
OPERATING ACTIVITIES		
Cash receipts from funding agencies and other	\$ 19,664,421	\$ 20,090,387
Cash paid to suppliers	(10,032,844)	(10,985,699)
Cash paid to employees	(4,290,654)	(4,203,421)
Interest on long term debt	(206,579)	(242,275)
Distributions to the community	(859,173)	(846,968)
	<u>4,275,171</u>	<u>3,812,024</u>
CAPITAL TRANSACTIONS		
Purchase of tangible capital assets	(2,769,676)	(8,173,206)
FINANCING ACTIVITIES		
Proceeds from long-term debt	374,563	1,096,112
Repayment of long-term debt	(436,554)	(373,679)
	<u>(61,991)</u>	<u>722,433</u>
NET INCREASE (DECREASE) IN CASH DURING YEAR	1,443,504	(3,638,749)
CASH, <i>beginning of year</i>	(3,584,991)	53,758
CASH, <i>end of year</i>	<u>\$(2,141,487)</u>	<u>\$(3,584,991)</u>
CASH COMPRISED OF		
Bank indebtedness	\$(2,544,449)	\$(3,949,930)
Restricted cash	399,912	345,943
Cash	<u>3,050</u>	<u>18,996</u>
	<u>\$(2,141,487)</u>	<u>\$(3,584,991)</u>

LAKE MANITOBA TREATY 2 FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2014

1. OPERATIONS

The Lake Manitoba Treaty 2 First Nation (the Nation) is located in the province of Manitoba, and provides various services to its members. Lake Manitoba Treaty 2 First Nation financial reporting entity includes all related entities which are accountable to the Nation and are either owned or controlled by the Nation.

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements are the representations of management, prepared in accordance with Canadian public sector accounting standards and including significant accounting policies.

REPORTING ENTITY

The consolidated financial statements consolidate the financial activities of all entities and departments comprising the Nation reporting entity. Trusts administered on behalf of third parties by Lake Manitoba Treaty 2 First Nation are excluded from the Nation reporting entity.

The Nation has consolidated the assets, liabilities, revenue and expenses of the following entities and departments:

- Lake Manitoba Treaty 2 First Nation Administration
- Lake Manitoba Waste and Water - PM Associates
- Lake Manitoba Treaty 2 First Nation Video Lottery Terminal (VLT) Program
- Lake Manitoba Treaty 2 First Nation Health Services
- Lake Manitoba Treaty 2 First Nation Convenience Store and Gas Bar
- Lake Manitoba Treaty 2 First Nation Housing Authority

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.

BASIS OF PRESENTATION

Sources of revenue and expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes available and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of the legal obligation to pay.

CASH AND CASH EQUIVALENTS

Cash resources include balances with banks and short-term investments with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

INVENTORY

Inventory is valued at the lower of cost and net realizable value. Cost is determined by the weighted - average cost method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated selling costs.

LAKE MANITOBA TREATY 2 FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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YEAR ENDED MARCH 31, 2014

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FUNDS HELD IN OTTAWA TRUST

Funds held in trust on behalf of Nation members by the Government of Canada on Ottawa Trust Fund are reported as restricted cash. Trust monies consists of:

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

TANGIBLE CAPITAL ASSETS

Tangible capital assets are initially recorded at cost based on historical cost accounting records.

Tangible capital assets are amortized annually using the declining balance method (except where noted) at rates intended to amortize the cost of the assets over their estimated useful lives:

Buildings	20%
Equipment	10 - 30%
Computer equipment	20 - 50%
Vehicles	20 - 30%
Furniture and fixtures	20%
Flood equipment	20%
Leasehold improvements	5%
Computer hardware	55%
Band housing	8%
Infrastructure	5 - 20%

In the year of acquisition, amortization is taken at one-half of the above rates.

CMHC housing amortization method: amortization of the buildings purchased using mortgaged funds provided by CMHC is not calculated based on the estimated useful lives of the assets, but rather at a rate equal to the annual principal reduction of the mortgage.

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 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. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the asset's carrying amount. Impairment is measured as the amount by which the asset's carrying amount exceeds its fair value. Any impairment is included in the statement of operations for the year in which the asset becomes impaired.

NON-FINANCIAL ASSETS

The Nation's tangible capital assets and other non-financial assets are accounted for as assets because they can be used to provide government services in future periods. These assets do not normally provide resources to discharge the liabilities of the government unless they are sold.

LAKE MANITOBA TREATY 2 FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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YEAR ENDED MARCH 31, 2014

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

NET DEBT

The Nation's consolidated financial statements are presented so as to highlight net debt as the measurement of financial position. The net debt of the Nation is determined by its financial assets less its liabilities. Net debt combined with non-financial assets comprises a second indicator of financial position, accumulated surplus.

REVENUE RECOGNITION

Government transfer revenue is recognized as it becomes receivable under the terms of applicable agreements. Funding received under funding arrangements that relate to a subsequent fiscal period is reflected as deferred revenue on the statement of financial position in the year of receipt, and is matched with the related department expenses in the year of their occurrence.

Other revenue is recognized by the Nation when services are provided or goods are shipped.

The Nation recognizes gaming revenues on a net win basis (the difference between gaming wins and losses), including table games and slot machines, on a daily basis. Gaming revenues are net of commissions paid to Manitoba Lotteries Corporation, and net of accruals for anticipated payouts of progressive slot machine jackpots and certain progressive table game payouts. Management believes that it is appropriate to present these commissions net of gaming revenues as these amounts are fixed as per their agreement with Manitoba Lotteries Corporation.

Rental revenue is recorded in the year it is earned. At the end of each year management evaluates whether rent revenue is collectible and records a bad debt expense and allowance for doubtful accounts for those amounts designated as unlikely to be collected.

EMPLOYEE FUTURE BENEFITS

The Nation's employee future benefit program consists of a defined contribution pension plan. Nation contributions to the defined contribution plan are expensed as incurred.

PROVISION FOR SITE REHABILITATION

Environmental law requires appropriate closure and post-closure care of landfill sites. This would include covering and landscaping of the site, ongoing environmental monitoring, site inspection and maintenance. No liability has been recorded as of March 31, 2013 as funding from agencies will offset any cost associated with the closure of landfill sites.

SEGMENTS

The Nation conducts its business through eight reportable segments as identified in Note 14. These operating segments are established by senior management to facilitate the achievement of the 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.

LAKE MANITOBA TREATY 2 FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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YEAR ENDED MARCH 31, 2014

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

RECENT ACCOUNTING PRONOUNCEMENTS

Government Transfers

In March 2011, the Public Sector Accounting Board replaced and revised existing section PS 3410 *Government Transfers* with a newly amended section PS 3410. The newly issued PS 3410 establishes standards on how to account for and report government transfers to individuals, organizations and other governments from both a transferring government and a recipient government perspective. This section permits a recipient government to recognize government transfers as revenue when the transfer is authorized by the transferring government, unless the transfer creates a liability for the recipient. A liability is created as a result of the recipient government not yet meeting eligibility criteria or the existence of stipulations in the transfer agreement. When a government transfer results in recognition of a liability, revenue is recognized by a recipient government as the liability is settled. A transferring government recognizes an expense when the transfer is authorized and the recipient has met all eligibility criteria.

As a result of the Department of Aboriginal Affairs and Northern Development Canada requiring First Nations to apply the Canadian Public Sector Accounting Standards, the Nation must follow the requirements of this section. The newly revised and issued PS 3410 may be applied prospectively or retroactively and is effective for fiscal years beginning on April 1, 2012. PS 3410 was applied prospectively and the adoption of the newly issued section does not have a material impact on the Nation's financial statements.

MEASUREMENT UNCERTAINTY

The preparation of the 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 financial statements, and the reported amounts of revenue and expenses during the reporting period.

Accounts receivable are stated after estimates as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Inventory is stated after provisions are made for slow moving and obsolete inventory. Amortization is based on the estimated useful lives of tangible capital assets.

These estimates are reviewed periodically and, as adjustments become necessary, they are reported in the statement of operations in the period in which they become known.

3. ACCOUNTS RECEIVABLE

	2014	2013
Aboriginal Affairs and Northern Development Canada <i>(Note 4)</i>	\$ 2,537,771	\$ 3,813,208
First Nations and Inuit Health	10,950	61,629
Receiver General - GST	22,314	84,848
Manitoba Finance - Tobacco tax rebates	39,910	30,173
Other	<u>36,293</u>	<u>33,929</u>
	<u>\$ 2,647,238</u>	<u>\$ 4,023,787</u>

LAKE MANITOBA TREATY 2 FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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YEAR ENDED MARCH 31, 2014

4. AANDC

	2 0 1 4	2 0 1 3
Flood response, erosion and control	\$ 2,163,293	\$ 3,450,972
Tuition agreement	253,113	242,272
School effectiveness	65,017	
Skills link	10,854	
Skills link - information technology	18,508	
Provincial schools - direct services	11,688	13,993
Band operated schools - direct services		2,500
Basic needs		20,172
Water and wastewater		17,457
Post secondary		50,866
Youth work experience	<u>15,298</u>	<u>14,976</u>
	<u>\$ 2,537,771</u>	<u>\$ 3,813,208</u>

5. RESTRICTED CASH

	2 0 1 4	2 0 1 3
Ottawa Trust Fund	\$ 3,820	\$ 3,472
CMHC Replacement Reserve	85,213	31,517
Waste and Water - PM Associates	<u>310,879</u>	<u>310,952</u>
	<u>\$ 399,912</u>	<u>\$ 345,941</u>

Ottawa Trust

The Ottawa Trust Fund arises 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 and are subject to audit by the Office of the Auditor General of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act. Revenue from the Ottawa Trust Fund is recognized in the year in which it is earned when it is measurable and collection is reasonably assured. Capital and revenue trust monies are transferred to the First Nation on the authorization of the Minister of Aboriginal Affairs and Northern Development Canada, with the consent of the Nation's Council. Trust monies consists of:

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

CMHC Replacement Reserve

As required as part of the Nation's Canada Mortgage and Housing Corporation (CMHC) Housing program, a separate bank account has been established for replacement of capital equipment and for major repairs to the houses. Under the terms of the agreements with CMHC, the replacement reserve must either be held in a separate bank account or invested in accounts or instruments secured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time. At year-end the specified replacement bank account was underfunded by \$522,859 (2013 - \$605,825).

Waste and Water - PM Associates

Funds held by PM Associates are restricted for use on the waste and water project.

LAKE MANITOBA TREATY 2 FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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YEAR ENDED MARCH 31, 2014

6. BANK INDEBTEDNESS

	2014	2013
Lake Manitoba Treaty 2 First Nation	\$ (2,519,896)	\$ (3,944,820)
Convenience Store and Gas Bar	(8,711)	18,994
VLT Program	3,050	(1,300)
Lake Manitoba Health	<u>(15,842)</u>	<u>(3,808)</u>
	<u>\$ (2,541,399)</u>	<u>\$ (3,930,934)</u>

Bank indebtedness includes cheques issued in excess of funds on deposit in the Nation's operating account and a line of credit of \$200,000 (2013 - \$200,000).

7. INVENTORY

	2014	2013
Groceries and cigarettes	\$ 36,849	\$ 36,849
Fuel and diesel	<u>34,569</u>	<u>34,569</u>
	<u>\$ 71,418</u>	<u>\$ 71,418</u>

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2014	2013 (Restated)
Trade	\$ 1,605,240	\$ 1,307,942
Accrued interest	17,265	18,053
Payroll liabilities	<u>138,425</u>	<u>37,862</u>
	<u>\$ 1,760,930</u>	<u>\$ 1,363,857</u>

9. DEFERRED REVENUE

	2014	2013
Waste and Water - PM Associates	<u>\$ 632,405</u>	<u>\$ 632,405</u>

The Nation has received funding of \$632,405 from AANDC, which has been recorded as deferred revenue as the construction of a lagoon is currently on hold. The estimated total cost of the project and date of completion is unknown at this time. The project is expected to be funded by AANDC. As at March 31, 2014, \$321,526 has been invested into this project (2013- \$321,452) and is recorded as construction in progress.

LAKE MANITOBA TREATY 2 FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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YEAR ENDED MARCH 31, 2014

10. LONG TERM DEBT

	2 0 1 4	2 0 1 3
CIBC- repayable at \$2,798 monthly, including interest at 3.45%, maturing October 2016.	\$ 89,914	\$ 118,737
CIBC- repayable at \$6,567 monthly, including interest at 5.24%, maturing October 2017.	376,421	434,082
CIBC- repayable at \$4,919 monthly, including interest at 5.44% maturing May 2017.	374,408	411,235
CIBC- repayable at \$6,297 monthly, including interest 5.14%, maturing March 2013.	403,840	456,791
CMHC- repayable at \$540 monthly, including interest 1.62%, maturing March 2018.	105,256	110,000
CMHC- repayable at \$640 monthly, including interest at 1.62%, maturing March 2018.	124,729	130,350
CMHC- repayable at \$3,253 monthly, including interest at 1.62%, maturing March 2018.	633,523	662,076
CMHC- repayable at \$5,150 monthly, including interest at 2.08%, maturing February 2019.	1,007,696	1,049,267
CMHC- repayable at \$9,144 monthly, including interest at 2.08%, maturing February 2019.	1,789,357	1,863,177
CMHC- repayable at \$2,657 monthly, including interest at 2.87%, maturing December 2014.	497,025	514,454
CMHC- repayable at \$3,868 monthly, including interest at 2.56%, maturing December 2015.	774,549	800,879
CMHC- repayable at \$2,925 monthly, including interest at 1.49%, maturing January 2017.	679,280	704,093
CMHC- repayable at \$4,448 monthly, including interest at 1.60%, maturing January 2018.	1,057,537	1,093,738
CMHC- repayable at \$1,622 monthly, including interest at 2.18%, maturing January 2019.	<u>373,356</u>	<u>-</u>
	<u>\$ 8,286,891</u>	<u>\$ 8,348,879</u>

Principal repayment terms are approximately:

2015	\$ 458,938
2016	474,069
2017	484,257
2018	471,794
2019	<u>487,481</u>
	<u>\$ 2,376,539</u>

LAKE MANITOBA TREATY 2 FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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YEAR ENDED MARCH 31, 2014

11. CONSTRUCTION IN PROGRESS

Construction in Progress relates to costs incurred to date for the construction of the lagoon. The project was managed by PM Associates and was on hold during the fiscal year ending March 31, 2014. The estimated total cost and date of completion is unknown at this time. The project is expected to be funded by AANDC. As at March 31, 2014 \$321,526 has been invested into this project.

12. RECONCILIATION OF AANDC FUNDING

	2014	2013
AANDC funding per financial statements	\$ 9,836,302	\$ 14,321,827
Less: prior year deferred revenue - Waste and Water (PM Associates)	(632,405)	(632,405)
Add: current year deferred revenue - Waste and Water (PM Associates)	<u>632,405</u>	<u>632,405</u>
AANDC funding per funding confirmation	<u>\$ 9,836,302</u>	<u>\$ 14,321,827</u>

13. RECONCILIATION OF FNIH FUNDING

	2014	2013
FNIH funding per financial statements	\$ 1,604,165	\$ 1,521,879
Less: prior year deferred revenue	-	-
Add: current year deferred revenue	<u>-</u>	<u>-</u>
FNIH funding per funding confirmation	<u>\$ 1,604,165</u>	<u>\$ 1,521,879</u>

14. SEGMENTS

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

Administration - includes administration and governance activities.

Capital Projects - include activities related to construction and major renovations.

Social Assistance - activities include delivering social programs.

Education - includes the operations of education programs.

Community Services - includes activities for the maintenance of the community and its infrastructure.

Community Wellness - reports on the Nation's funding related to health and wellness.

Housing - includes activities related to the development and sustainment of on-reserve housing.

Community and Economic Development - includes activities related to the economic development of the community, including its commercial operations.

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

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15. CONSOLIDATED EXPENSES BY OBJECT

	2014	2013
Amortization	\$ 2,810,901	\$ 2,483,365
Bank charges and interest	201,839	288,385
Compensation and training	4,232,157	4,346,268
Purchased goods and services	6,323,172	5,577,452
Social assistance	2,757,941	2,839,862
Support to community and members	1,052,339	1,055,600
Travel, accommodation, and related costs	533,755	550,357
Tuition	<u>797,295</u>	<u>936,934</u>
	<u>\$ 18,709,399</u>	<u>\$ 18,078,223</u>

16. ECONOMIC DEPENDENCE

Lake Manitoba Treaty 2 First Nation receives the majority of its revenue from Aboriginal Affairs and Northern Development Canada (AANDC) and First Nations and Inuit Health (FNIH) as a result of Treaties entered into with the Government of Canada. These treaties are administered by AANDC and FNIH under the terms and conditions of the Indian Act. The ability of the Nation to continue operations is dependent upon the Government of Canada's continued financial commitments as guaranteed by these treaties.

17. CONTINGENT FUNDING RECOVERIES

The Nation is subject to funding recoveries according to their agreements with federal government agencies. At year-end, it was not yet determined to what extent any funding amounts related to the year ending March 31, 2014 might be recovered by these agencies.

18. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

19. BUDGET INFORMATION

The disclosed budget information has been approved by the Chief and Council of Lake Manitoba Treaty 2 First Nation. The budget figures have not been audited, reviewed or otherwise verified and consequently we do not express an opinion on them.

20. PRIOR PERIOD ADJUSTMENT

Prior period adjustment relates to the restatement of Lake Manitoba Treaty 2 First Nation Housing Authority comparative figures to reflect CMHC records as at March 31, 2013. The cumulative effect of the adjustment has been reflected in accumulated surplus, with the comparative figures being restated accordingly.

Adjustment to 2013 opening balance of unrestricted surplus	\$ 72,237
Adjustment to 2013 annual surplus	246,483
Forgiveness of debt by Lake Manitoba Treaty 2 First Nation	(582,121)
Adjustment to 2013 opening balance of restricted surplus - Replacement Reserve	<u>349,729</u>
	<u>\$ 86,328</u>

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YEAR ENDED MARCH 31, 2014

21. GOVERNMENT TRANSFERS

	2014			2013		
	<u>Operating</u>	<u>Capital</u>	<u>Total</u>	<u>Operating</u>	<u>Capital</u>	<u>Total</u>
Federal Government Transfers						
AANDC	\$ 7,182,378	\$ 2,653,924	\$ 9,836,302	\$ 6,777,021	\$ 7,544,806	\$ 14,321,827
FNIH	1,604,165		1,604,165	1,521,879		1,521,879
CMHC	473,589		473,589	470,452		470,452
Other	<u>406,118</u>	<u>-</u>	<u>406,118</u>	<u>424,613</u>	<u>-</u>	<u>424,613</u>
	9,666,250	2,653,924	12,320,174	9,193,965	7,544,806	16,738,771
Provincial Government Transfers	<u>686,956</u>	<u>-</u>	<u>686,956</u>	<u>648,389</u>	<u>-</u>	<u>648,389</u>
	<u>\$ 10,353,206</u>	<u>\$ 2,653,924</u>	<u>\$ 13,007,130</u>	<u>\$ 9,842,354</u>	<u>\$ 7,544,806</u>	<u>\$ 17,387,160</u>

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YEAR ENDED MARCH 31, 2014

22. TANGIBLE CAPITAL ASSETS

	Cost			Accumulated Amortization			Net Book Value	
	Opening Balance	Additions	Closing Balance	Opening Balance	Amortization	Closing Balance	Total 2014	Total 2013
Land	\$ 220,500	\$	\$ 220,500	\$	\$	\$	\$ 220,500	\$ 220,500
Band buildings	4,787,119		4,787,119	3,163,856	143,064	3,306,920	1,480,199	1,623,263
CMHC buildings	11,608,829	375,403	11,984,232	2,258,693	436,554	2,695,247	9,288,985	9,350,136
Infrastructure	23,217,334	2,147,000	25,364,334	4,093,087	2,004,870	6,097,957	19,266,377	19,124,247
Heavy equipment	367,523	223,519	591,042	193,733	72,442	266,175	324,867	173,790
Vehicles	1,815,903		1,815,903	1,565,676	75,068	1,640,744	175,159	250,227
Furniture and fixtures	268,209		268,209	167,584	29,290	196,874	71,335	100,625
Equipment	709,235	23,756	732,991	498,723	44,637	543,360	189,631	210,512
Computers	148,457		148,457	135,139	4,704	139,843	8,614	13,318
Leaseholds	8,187	-	8,187	2,757	272	3,029	5,158	5,430
	<u>\$ 43,151,296</u>	<u>\$ 2,769,678</u>	<u>\$ 45,920,974</u>	<u>\$ 12,079,248</u>	<u>\$ 2,810,901</u>	<u>\$ 14,890,149</u>	<u>\$ 31,030,825</u>	<u>\$ 31,072,048</u>

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YEAR ENDED MARCH 31, 2014

23. SEGMENTED DISCLOSURE

	ADMINISTRATION		SOCIAL SERVICES		COMMUNITY SERVICES		CAPITAL PROJECTS		COMMUNITY AND ECONOMIC DEVELOPMENT	
Revenues										
Federal Government										
AANDC	\$ 517,198	\$ 480,005	\$ 2,667,509	\$ 2,589,544	\$ 225,336	\$ 225,542	\$ 2,855,924	\$ 7,560,275	\$ 95,204	\$ 95,204
FNIHB										
CMHC										
HRSDC									406,118	424,614
Subtotal	517,198	480,005	2,667,509	2,589,544	225,336	225,542	2,855,924	7,560,275	501,322	519,818
Provincial Government										
Manitoba Finance - Taxation									686,956	648,389
Other	635,745	340,495	-	-	-	-	-	-	4,102,007	4,464,893
Total revenue	<u>1,152,943</u>	<u>820,500</u>	<u>2,667,509</u>	<u>2,589,544</u>	<u>225,336</u>	<u>225,542</u>	<u>2,855,924</u>	<u>7,560,275</u>	<u>5,290,285</u>	<u>5,633,100</u>
Expenses										
Salaries and benefits	267,651	235,603	65,361	66,882	93,812	83,719	41,797	84,934	1,171,212	1,288,366
Amortization							2,297,066	2,035,507	38,082	37,386
Other	601,874	604,579	2,692,580	2,772,980	259,817	257,576	337,130	282,099	4,575,914	4,488,406
Total expenses	<u>869,525</u>	<u>840,182</u>	<u>2,757,941</u>	<u>2,839,862</u>	<u>353,629</u>	<u>341,295</u>	<u>2,675,993</u>	<u>2,402,540</u>	<u>5,783,208</u>	<u>5,814,158</u>
Surplus (Deficit)	<u>\$ 283,418</u>	<u>\$ (19,682)</u>	<u>\$ (90,432)</u>	<u>\$ (250,318)</u>	<u>\$ (128,293)</u>	<u>\$ (115,753)</u>	<u>\$ 179,931</u>	<u>\$ 5,157,735</u>	<u>\$ (492,923)</u>	<u>\$ (181,058)</u>

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YEAR ENDED MARCH 31, 2014

23. SEGMENTED DISCLOSURE

	EDUCATION		COMMUNITY WELLNESS		HOUSING		TOTAL	
Revenues								
Federal Government								
AANDC	\$ 3,475,131	\$ 3,371,257	\$ 1,604,165	\$ 1,521,879	\$ 473,589	\$ 470,452	\$ 9,836,302	\$ 14,321,827
FNIHB							1,604,165	1,521,879
CMHC							473,589	470,452
HRSDC							406,118	424,614
Subtotal	<u>3,475,131</u>	<u>3,371,257</u>	<u>1,604,165</u>	<u>1,521,879</u>	<u>473,589</u>	<u>470,452</u>	<u>12,320,174</u>	<u>16,738,772</u>
Provincial Government Manitoba Finance - Taxation							686,956	648,389
Other	<u>47,327</u>	<u>42,167</u>	<u>-</u>	<u>-</u>	<u>495,662</u>	<u>736,895</u>	<u>5,280,741</u>	<u>5,584,450</u>
Total revenue	<u>3,522,458</u>	<u>3,413,424</u>	<u>1,604,165</u>	<u>1,521,879</u>	<u>969,251</u>	<u>1,207,347</u>	<u>18,287,871</u>	<u>22,971,611</u>
Expenditures								
Salaries and benefits	1,701,054	1,755,326	891,270	831,438			4,232,157	4,346,268
Debt servicing					201,839	288,385	201,839	288,385
Amortization			41,199	36,793	436,554	373,679	2,810,901	2,483,365
Other	<u>1,947,341</u>	<u>1,686,078</u>	<u>689,717</u>	<u>651,559</u>	<u>360,129</u>	<u>216,928</u>	<u>11,464,502</u>	<u>10,960,205</u>
Total expenses	<u>3,648,395</u>	<u>3,441,404</u>	<u>1,622,186</u>	<u>1,519,790</u>	<u>998,522</u>	<u>878,992</u>	<u>18,709,399</u>	<u>18,078,223</u>
Surplus (Deficit)	<u>\$ (125,937)</u>	<u>\$ (27,980)</u>	<u>\$ (18,021)</u>	<u>\$ 2,089</u>	<u>\$ (29,271)</u>	<u>\$ 328,355</u>	<u>\$ (421,528)</u>	<u>\$ 4,893,388</u>