
LAKE MANITOBA TREATY 2 FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2017

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LAKE MANITOBA TREATY 2 FIRST NATION

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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. The consolidated 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 non-consolidated 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.

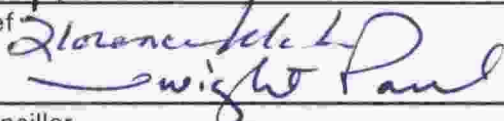
The First Nation's Chief and Council is responsible for ensuring that management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements.

Management reviews the First Nation's consolidated 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 consolidated financial statements and the external auditors' report.

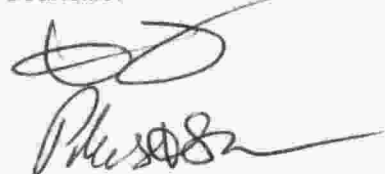
The consolidated financial statements have been audited by Collins Barrow HMA LLP in accordance with Canadian generally accepted auditing standards on behalf of the members. Collins Barrow HMA LLP has full and free access to the Management and Chief and Council.



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, 2017, 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 and for such internal control as management determines is necessary to enable the preparation of the 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 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 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 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, 2017, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Winnipeg, Manitoba
July 24, 2017

Collins Barrow HMA LLP
Chartered Professional Accountants

LAKE MANITOBA TREATY 2 FIRST NATION

STATEMENT 1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MARCH 31

2017

2016

FINANCIAL ASSETS

| | | |
|------------------------------|------------------|----------------|
| Restricted cash (Note 8) | \$ 2,872,554 | \$ 185,637 |
| Accounts receivable (Note 3) | 665,477 | 172,354 |
| Inventory (Note 9) | 88,549 | 104,194 |
| | <u>3,626,580</u> | <u>462,185</u> |

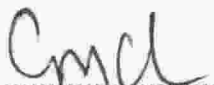
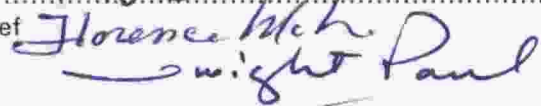
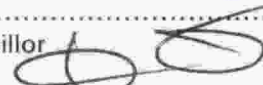
LIABILITIES


| | | |
|---|-------------------|-------------------|
| Bank indebtedness (Note 5) | 254,344 | 287,925 |
| Accounts payable and accrued liabilities (Note 6) | 4,056,045 | 1,410,058 |
| CMHC advances payable | 1,440,005 | |
| Deferred revenue (Note 7) | 4,714,905 | 632,405 |
| Long-term debt (Note 10) | <u>7,316,605</u> | <u>7,931,709</u> |
| | <u>17,781,904</u> | <u>10,262,097</u> |
| NET DEBT | (14,155,324) | (9,799,912) |

NON-FINANCIAL ASSETS

| | | |
|------------------------------------|----------------------|----------------------|
| PREPAID EXPENSES | 55,466 | 72,546 |
| TANGIBLE CAPITAL ASSETS (Note 20) | 29,206,621 | 30,089,693 |
| CONSTRUCTION IN PROGRESS (Note 11) | <u>5,413,107</u> | <u>545,061</u> |
| | <u>34,675,194</u> | <u>30,707,300</u> |
| ACCUMULATED SURPLUS | \$ <u>20,519,870</u> | \$ <u>20,907,388</u> |
| CONTINGENCIES (Note 17) | | |

Approved by Chief and Council

Chief 

 Councillor 

Councillor 
 Councillor

LAKE MANITOBA TREATY 2 FIRST NATION

STATEMENT 2

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

MARCH 31

| | BUDGET (UNAUDITED) | 2017 | 2016 |
|---|-----------------------|----------------------|----------------------|
| REVENUE | | | |
| Indigenous and Northern Affairs Canada | \$ 10,783,824 | \$ 13,611,177 | \$ 10,149,538 |
| First Nations and Inuit Health | 2,085,899 | 2,040,236 | 1,695,155 |
| Province of Manitoba | | 427,260 | 570,623 |
| Canada Mortgage and Housing Corporation | 1,212,308 | 945,358 | 562,356 |
| First Peoples Development Inc. | 415,075 | 416,938 | 406,118 |
| Sales - Gas Bar and Convenience Store | | 2,953,695 | 3,050,293 |
| VLT revenue | | 975,779 | 947,795 |
| Rental revenue - CMHC | 349,022 | 349,022 | 313,429 |
| Other revenue | 1,014,398 | 1,240,220 | 1,019,181 |
| Deferred revenue from prior year | | 632,405 | 632,405 |
| Deferred revenue to next year | - | (4,714,905) | (632,405) |
| | <u>15,860,526</u> | <u>18,877,185</u> | <u>18,714,488</u> |
| EXPENDITURES | | | |
| Administration | 1,077,722 | 1,120,242 | 1,215,056 |
| Capital projects | 2,804,137 | 2,391,711 | 2,874,541 |
| Community wellness | 2,077,117 | 1,900,341 | 1,667,780 |
| Community and economic development | 489,513 | 4,968,653 | 5,155,864 |
| Community services | 534,667 | 386,204 | 332,488 |
| Education | 3,614,329 | 3,686,008 | 3,670,083 |
| Housing | 1,329,943 | 1,440,493 | 1,044,194 |
| Social Services | 3,350,228 | 3,371,051 | 3,251,147 |
| | <u>15,277,656</u> | <u>19,264,703</u> | <u>19,211,153</u> |
| ANNUAL DEFICIT | 582,870 | (387,518) | (496,665) |
| ACCUMULATED SURPLUS, <i>beginning of year</i> | <u>19,857,702</u> | <u>20,907,388</u> | <u>21,404,053</u> |
| ACCUMULATED SURPLUS, <i>end of year</i> | \$ <u>20,440,572</u> | \$ <u>20,519,870</u> | \$ <u>20,907,388</u> |

LAKE MANITOBA TREATY 2 FIRST NATION

STATEMENT 3

CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT

MARCH 31

| | BUDGET (UNAUDITED) | 2017 | 2016 |
|---|-----------------------|-----------------|----------------|
| ANNUAL SURPLUS (DEFICIT) | \$ 582,870 | \$(387,518) | \$(496,665) |
| Purchase of tangible capital assets | (408,773) | (408,773) | (2,278,515) |
| Amortization of tangible capital assets | 1,291,845 | 1,291,845 | 2,941,108 |
| | 883,072 | 883,072 | 662,593 |
| Acquisition of prepaid expenses | (55,466) | (55,466) | (72,545) |
| Use of prepaid expenses | 72,546 | 72,546 | 20,186 |
| | 17,080 | 17,080 | (52,359) |
| Acquisition of construction in progress | (5,413,107) | (5,413,107) | (545,061) |
| Use of construction in progress | 545,061 | 545,061 | 476,058 |
| | (4,868,046) | (4,868,046) | (69,003) |
| CHANGE IN NET DEBT FOR THE YEAR | (3,385,024) | (4,355,412) | 44,566 |
| NET DEBT, <i>beginning of year</i> | (9,799,912) | (9,799,912) | (9,844,478) |
| NET DEBT, <i>end of year</i> | \$(13,184,936) | \$(14,155,324) | \$(9,799,912) |

LAKE MANITOBA TREATY 2 FIRST NATION

STATEMENT 4

CONSOLIDATED STATEMENT OF CASH FLOWS

MARCH 31

| | 2017 | 2016 |
|---|---------------------|---------------------|
| CASH FLOW FROM | | |
| <i>OPERATING ACTIVITIES</i> | | |
| Cash receipts from funding agencies and other sources | \$ 22,466,561 | \$ 20,379,430 |
| Cash paid to suppliers | (12,372,894) | (12,330,763) |
| Cash paid to employees | (4,204,178) | (4,587,510) |
| Interest paid | (198,060) | (203,987) |
| Distributions to the community | (626,841) | (656,629) |
| | <u>5,064,588</u> | <u>2,600,541</u> |
| <i>INVESTING ACTIVITIES</i> | | |
| Purchase of tangible capital assets | (408,773) | (2,278,515) |
| Construction in progress | (2,760,219) | (159,644) |
| | <u>(3,168,992)</u> | <u>(2,438,159)</u> |
| <i>FINANCING ACTIVITIES</i> | | |
| Proceeds from long-term debt | 1,440,005 | 255,893 |
| Repayment of long-term debt | (615,103) | (514,725) |
| | <u>824,902</u> | <u>(258,832)</u> |
| NET INCREASE (DECREASE) IN CASH DURING YEAR | 2,720,498 | (96,450) |
| CASH, <i>beginning of year</i> | (102,288) | (5,838) |
| CASH, <i>end of year</i> | <u>\$ 2,618,210</u> | <u>\$ (102,288)</u> |
| CASH COMPRISED OF | | |
| Bank indebtedness | \$(254,344) | \$(287,925) |
| Restricted cash | <u>2,872,554</u> | <u>185,637</u> |
| | <u>\$ 2,618,210</u> | <u>\$ (102,288)</u> |

LAKE MANITOBA TREATY 2 FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2017

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. The 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.

FUNDS HELD IN OTTAWA TRUST FUND

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)**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.

FINANCIAL INSTRUMENTS

Financial instruments include cash, accounts receivable, accounts payable and accrued liabilities. Unless otherwise stated, it is management's opinion that Lake Manitoba Treaty 2 First Nation is not exposed to significant interest, currency, or credit risks arising from these financial instruments. Unless otherwise stated, the carrying value of the financial assets and liabilities approximates their fair value.

SEGMENTS

Lake Manitoba Treaty 2 First Nation conducts its business through eight reportable segments as identified in the further notes. These operating segments are established by senior management to facilitate the achievement of the entity'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 non-consolidated financial statements as disclosed in the significant accounting policies.

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 at the rates intended to amortize the cost of the assets over the estimated useful lives:

| | Rate |
|------------------------|--------|
| Buildings | 1-5% |
| Equipment | 10-30% |
| Computer equipment | 20-50% |
| Vehicles | 20-30% |
| Furniture and fixtures | 20% |
| Flood equipment | 20-40% |
| Leasehold improvements | 5-20% |
| Infrastructure | 5-10% |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)**LONG-LIVED ASSETS*

Long-lived assets consists 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.

NET DEBT

The Nation's consolidated financial statements are presented so as to highlight net debt as the measurement of the 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 the financial position and 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. The Nation's contributions to the defined contribution plan are expensed as incurred.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)**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 and ongoing environmental monitoring, site inspection and maintenance. No liability has been recorded as of March 31, 2016 as funding from agencies will offset any cost associated with the closure of landfill sites.

*RECENT ACCOUNTING PRONOUNCEMENTS**Financial instruments*

In June 2011, the Public Sector Accounting Board (PSAB) issued PS 3450 Financial Instruments to establish standards for recognition, measurement, presentation and disclosure of financial assets, financial liabilities and non-financial derivatives. As a result of issuance of PS 3450, there have been numerous consequential amendments made to other Sections. PS 3450 is effective for fiscal years beginning on or after April 1, 2016. Earlier adoption is permitted.

PS 3450 is applied prospectively in the fiscal year of initial adoption; therefore, financial statements of prior periods, including comparative information, are not restated. The Nation does not expect the adoption of these new standards to have a material impact on its non-consolidated 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

| | 2017 | 2016 |
|--|-------------------|-------------------|
| Indigenous and Northern Affairs Canada <i>(Note 4)</i> | \$ 230,413 | \$ 20,000 |
| Canada Housing and Mortgage Corporation | 291,833 | 41,188 |
| First Peoples Development Inc. | 10,819 | |
| Manitoba Finance - Tobacco tax rates | 35,598 | 34,552 |
| Trade and other | <u>96,814</u> | <u>76,614</u> |
| | <u>\$ 665,477</u> | <u>\$ 172,354</u> |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2017

4. ACCOUNTS RECEIVABLE - INAC

| | 2017 | 2016 |
|----------------------|-------------------|------------------|
| Tuition agreement | \$ 16,851 | \$ 20,000 |
| Economic development | 8,282 | |
| Water < 1.5M | 112,000 | |
| Response | <u>93,280</u> | <u>-</u> |
| | <u>\$ 230,413</u> | <u>\$ 20,000</u> |

5. BANK INDEBTEDNESS

Bank indebtedness includes cheques issued in excess of funds on deposit in the Nation's operating account and a line of credit of \$254,344 (2016 - \$287,925). The line of credit has an interest rate of prime plus 4.50 % (7.25%) (2016 - 7.25%), and the following collateral:

- all inventory of whatever kind and wherever situated now owned or hereafter acquired or re-acquired by the Nation;
- all machinery, equipment and other tangible personal property now owned or hereafter acquired or re-acquired by the Nation;
- all debts, accounts, claims, and monies in action now owned or hereafter acquired or re-acquired by the Nation;
- all tangible property now owned or hereafter acquired or re-acquired by the Nation;
- all property and all accessories installed in or affixed or attached to that property;
- all personal property in any form or fixtures derived directly or indirectly from any dealing with the collateral and the proceeds therefrom.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | 2017 | 2016 |
|---------------------|---------------------|---------------------|
| Trade payables | \$ 3,990,394 | \$ 1,358,177 |
| Payroll liabilities | 52,727 | 38,100 |
| Accrued interest | <u>12,924</u> | <u>13,781</u> |
| | <u>\$ 4,056,045</u> | <u>\$ 1,410,058</u> |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2017

7. DEFERRED REVENUE

| | 2017 | 2016 |
|---------------------------------|---------------------|-------------------|
| Waste and Water - PM Associates | \$ 4,632,405 | \$ 632,405 |
| INAC - Capacity Development | <u>82,500</u> | <u>-</u> |
| | <u>\$ 4,714,905</u> | <u>\$ 632,405</u> |

The First Nation has received funding of \$4,632,405 from INAC, which has been recorded as deferred revenue since the construction of the lagoon was not completed as at March 31, 2017. The estimated total cost of the project and date of completion are unknown at this time. As at March 31, 2017, \$3,973,102 has been invested into this project (2016 - \$545,061) and is recorded as construction in progress.

8. RESTRICTED CASH

| | 2017 | 2016 |
|---------------------------------|---------------------|-------------------|
| Ottawa Trust Fund | \$ 5,136 | \$ 4,274 |
| CMHC Replacement Reserve | <u>106,098</u> | <u>84,519</u> |
| Waste and Water - PM Associates | <u>2,761,320</u> | <u>96,844</u> |
| | <u>\$ 2,872,554</u> | <u>\$ 185,637</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 Indigenous and Northern Affairs 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.

Waste and Water - PM Associates

Funds held by PM Associates are restricted for use on the Lagoon project.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2017

9. INVENTORY

| | 2017 | 2016 |
|--------------------------|------------------|-------------------|
| Groceries and cigarettes | \$ 73,345 | \$ 79,481 |
| Fuel and diesel | <u>15,204</u> | <u>24,713</u> |
| | <u>\$ 88,549</u> | <u>\$ 104,194</u> |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2017

10. LONG TERM DEBT

| | 2017 | 2016 |
|---|---------------------|---------------------|
| CIBC - repaid as of January 2017. | \$ | \$ 27,487 |
| CIBC - repayable at \$6,567 monthly, including interest at 5.24%, maturing October 2017. | 184,411 | 251,752 |
| CIBC - repayable at \$4,919 monthly, including interest at 5.44% maturing May 2017. | 246,947 | 291,382 |
| CIBC - repayable at \$6,297 monthly, including interest 5.14%, maturing May 2018. | 225,916 | 288,258 |
| CMHC - repayable at \$540 monthly, including interest 1.62%, maturing March 2018. | 90,556 | 95,539 |
| CMHC - repayable at \$640 monthly, including interest at 1.62%, maturing March 2018. | 107,309 | 113,214 |
| CMHC - repayable at \$3,253 monthly, including interest at 1.62%, maturing March 2018. | 545,047 | 575,037 |
| CMHC - repayable at \$5,150 monthly, including interest at 2.08%, maturing February 2019. | 881,143 | 924,246 |
| CMHC - repayable at \$9,144 monthly, including interest at 2.08%, maturing February 2019. | 1,564,639 | 1,641,176 |
| CMHC - repayable at \$2,415 monthly, including interest at 1.83%, maturing December 2019. | 437,376 | 458,191 |
| CMHC - repayable at \$3,361 monthly, including interest at 1.04%, maturing March 2021. | 686,850 | 719,880 |
| CMHC - repayable at \$2,925 monthly, including interest at 1.49%, maturing January 2018. | 602,589 | 628,556 |
| CMHC - repayable at \$4,448 monthly, including interest at 1.60%, maturing January 2018. | 945,410 | 983,419 |
| CMHC - repayable at \$1,622 monthly, including interest at 2.18%, maturing January 2019. | 338,158 | 350,163 |
| CMHC - repayable at \$1,543 monthly, including interest at 1.23%, maturing May 2020. | 373,270 | 387,127 |
| Noventis Credit Union - repayable at \$9,967 monthly, including interest at prime rate plus 4%, maturing December 2017. | 86,984 | 196,282 |
| | <u>\$ 7,316,605</u> | <u>\$ 7,931,709</u> |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2017

Loans payable are secured by specific assets financed and a ministerial guarantee by the Government of Canada.

Principal repayment terms are approximately:

| | |
|------------|---------------------|
| 2018 | \$ 577,269 |
| 2019 | 508,294 |
| 2020 | 479,153 |
| 2021 | 391,416 |
| 2022 | 357,642 |
| Thereafter | <u>5,002,831</u> |
| | <u>\$ 7,316,605</u> |

11. CONSTRUCTION IN PROGRESS

Waste and Water - PM Associates

During the year, the First Nation was involved in the construction of the Lagoon project managed by PM Associates. The estimated total cost and completion of the project is not known at this time. As at March 31, 2017 \$3,973,102 (2016 - \$545,061) was invested into this project.

During the year, the First Nation was involved in the construction of 8 units Section 95 Housing project - total cost of \$1,440,005 incurred as at March 31, 2017 is deferred until the subsequent year, when the project will be completed.

12. RECONCILIATION OF INAC FUNDING

| | 2017 | 2016 |
|---------------------------------------|----------------------|----------------------|
| INAC funding per confirmation | \$ 13,611,177 | \$ 10,149,538 |
| Less: prior year deferred revenue | (632,405) | (632,405) |
| Add: current year deferred revenue | <u>4,714,905</u> | <u>632,405</u> |
| INAC funding per financial statements | <u>\$ 17,693,677</u> | <u>\$ 10,149,538</u> |

13. RECONCILIATION OF FNIH FUNDING

| | 2017 | 2016 |
|---------------------------------------|---------------------|---------------------|
| FNIH funding per confirmation | \$ 2,040,236 | \$ 1,695,155 |
| Less: prior year deferred revenue | - | - |
| Add: current year deferred revenue | <u>-</u> | <u>-</u> |
| FNIH funding per financial statements | <u>\$ 2,040,236</u> | <u>\$ 1,695,155</u> |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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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:

Band Administration - includes administration and governance activities.

Social Assistance - activities include delivering social programs.

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

Capital Projects - includes activities related to the development and sustainment of on-reserve housing, mitigation and repairs of flood damage.

Community and Economic Development - reports on the Nation's funding related to development of the community.

Education - includes the operations of the education programs.

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.

15. CONSOLIDATED EXPENSES BY OBJECT

| | 2 0 1 7 | 2 0 1 6 |
|---|----------------------|----------------------|
| Amortization | \$ 1,291,845 | \$ 2,941,108 |
| Bank charges and interest | 198,060 | 203,987 |
| Compensation and training | 4,204,178 | 4,587,510 |
| Purchased goods and services | 7,626,424 | 5,587,561 |
| Social assistance | 3,300,660 | 3,185,140 |
| Support to community and members | 869,929 | 869,936 |
| Travel, accomodation, and related costs | 944,799 | 744,037 |
| Tuition | 828,808 | 1,091,874 |
| | <u>\$ 19,264,703</u> | <u>\$ 19,211,153</u> |

16. ECONOMIC DEPENDENCE

The Lake Manitoba Treaty 2 First Nation receives its revenues 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 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, 2016 might be recovered by these agencies.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2017

18. 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.

19. COMPARATIVE FIGURES

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

LAKE MANITOBA TREATY 2 FIRST NATION

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MARCH 31, 2017

20. TANGIBLE CAPITAL ASSETS

| | Cost | | | Accumulated Amortization | | | Net Book Value | |
|------------------------|----------------------|-------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|----------------------|
| | Opening Balance | Additions | Closing Balance | Opening Balance | Amortization | Closing Balance | Total 2017 | Total 2016 |
| Land | \$ 220,500 | \$ - | \$ 220,500 | \$ - | \$ - | \$ - | \$ 220,500 | \$ 220,500 |
| Band buildings | 4,935,439 | - | 4,935,439 | 3,546,216 | 93,790 | 3,640,006 | 1,295,433 | 1,389,223 |
| CMHC buildings | 12,382,857 | - | 12,382,857 | 3,644,933 | 505,805 | 4,150,738 | 8,232,119 | 8,737,924 |
| Infrastructure | 32,256,939 | - | 32,256,939 | 13,030,368 | 520,546 | 13,550,914 | 18,706,025 | 19,226,571 |
| Heavy equipment | 690,431 | 117,761 | 808,192 | 509,451 | 52,843 | 562,294 | 245,898 | 180,980 |
| Vehicles | 1,925,906 | 133,577 | 2,059,483 | 1,762,433 | 69,078 | 1,831,511 | 227,972 | 163,473 |
| Furniture and fixtures | 268,209 | 53,351 | 321,560 | 232,177 | 12,542 | 244,719 | 76,841 | 36,032 |
| Equipment | 738,775 | 104,084 | 842,859 | 612,296 | 35,569 | 647,865 | 194,994 | 126,479 |
| Computers | 148,457 | - | 148,457 | 144,602 | 1,439 | 146,041 | 2,416 | 3,855 |
| Leaseholds | 8,187 | - | 8,187 | 3,531 | 233 | 3,764 | 4,423 | 4,656 |
| | <u>\$ 53,575,700</u> | <u>\$ 408,773</u> | <u>\$ 53,984,473</u> | <u>\$ 23,486,007</u> | <u>\$ 1,291,845</u> | <u>\$ 24,777,852</u> | <u>\$ 29,206,621</u> | <u>\$ 30,089,693</u> |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2017

21. GOVERNMENT TRANSFERS

| | 2017 | | | 2016 | | |
|---------------------------------|----------------------|---------------------|----------------------|----------------------|---------------------|----------------------|
| | Operating | Capital | Total | Operating | Capital | Total |
| Federal Government Transfers | | | | | | |
| INAC | \$ 8,259,817 | \$ 5,351,360 | \$ 13,611,177 | \$ 7,606,668 | \$ 2,542,870 | \$ 10,149,538 |
| FNIH | 2,040,236 | | 2,040,236 | 1,695,155 | | 1,695,155 |
| CMHC | 492,833 | 719,475 | 1,212,308 | 498,356 | 64,000 | 562,356 |
| ESDC | <u>416,937</u> | <u>-</u> | <u>416,937</u> | <u>406,118</u> | <u>-</u> | <u>406,118</u> |
| | 11,209,823 | 6,070,835 | 17,280,658 | 10,206,297 | 2,606,870 | 12,813,167 |
| Provincial Government Transfers | <u>427,260</u> | <u>-</u> | <u>427,260</u> | <u>570,623</u> | <u>-</u> | <u>570,623</u> |
| | <u>\$ 11,637,083</u> | <u>\$ 6,070,835</u> | <u>\$ 17,707,918</u> | <u>\$ 10,776,920</u> | <u>\$ 2,606,870</u> | <u>\$ 13,383,790</u> |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2017

22. SEGMENTED DISCLOSURE

| | BAND ADMINISTRATION | | SOCIAL ASSISTANCE | | COMMUNITY SERVICES | | CAPITAL PROJECTS | | COMMUNITY AND ECONOMIC DEVELOPMENT | |
|-----------------------------|---------------------|-------------------|--------------------|---------------------|--------------------|---------------------|---------------------|---------------------|------------------------------------|---------------------|
| | <u>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> |
| Revenues | | | | | | | | | | |
| Federal Government | | | | | | | | | | |
| INAC | \$ 611,138 | \$ 685,952 | \$ 3,301,394 | \$ 3,118,237 | \$ 306,037 | \$ 227,964 | \$ 5,351,360 | \$ 2,542,870 | \$ 95,204 | \$ 95,204 |
| FNIHB | | | | | | | | | | |
| CMHC | | | | | | | 266,950 | 64,000 | | |
| ESDC | | | | | | | | | 416,937 | 406,119 |
| Subtotal | 611,138 | 685,952 | 3,301,394 | 3,118,237 | 306,037 | 227,964 | 5,618,310 | 2,606,870 | 512,141 | 501,323 |
| Provincial Government | | | | | | | | | | |
| Manitoba Finance - Taxation | | | | | | | | | 427,260 | 570,623 |
| Other | 792,311 | 973,067 | - | - | - | - | (3,960,100) | - | 3,933,559 | 3,972,362 |
| Total revenue | <u>1,403,449</u> | <u>1,659,019</u> | <u>3,301,394</u> | <u>3,118,237</u> | <u>306,037</u> | <u>227,964</u> | <u>1,658,210</u> | <u>2,606,870</u> | <u>4,872,960</u> | <u>5,044,308</u> |
| Expenses | | | | | | | | | | |
| Salaries and benefits | 396,122 | 459,620 | 64,572 | 66,007 | 121,542 | 128,400 | 48,236 | 151,494 | 692,845 | 1,272,396 |
| Debt servicing (interest) | 29,580 | 16,063 | 5,819 | | | | | | 6,542 | 2,069 |
| Amortization | | | | | | | 696,288 | 2,383,533 | 20,574 | 25,099 |
| Other | 694,540 | 739,373 | 3,300,660 | 3,185,140 | 264,662 | 204,088 | 1,647,187 | 339,514 | 4,248,692 | 3,856,300 |
| Total expenses | <u>1,120,242</u> | <u>1,215,056</u> | <u>3,371,051</u> | <u>3,251,147</u> | <u>386,204</u> | <u>332,488</u> | <u>2,391,711</u> | <u>2,874,541</u> | <u>4,968,653</u> | <u>5,155,864</u> |
| Surplus (Deficit) | \$ <u>283,207</u> | \$ <u>443,963</u> | \$ <u>(69,657)</u> | \$ <u>(132,910)</u> | \$ <u>(80,167)</u> | \$ <u>(104,524)</u> | \$ <u>(733,501)</u> | \$ <u>(267,671)</u> | \$ <u>(95,693)</u> | \$ <u>(111,556)</u> |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2017

22. SEGMENTED DISCLOSURE (continued)

| | EDUCATION | | COMMUNITY WELLNESS | | HOUSING | | TOTAL | |
|---|-------------------|---------------------|--------------------|------------------|---------------------|---------------------|---------------------|---------------------|
| | <u>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> |
| Revenues | | | | | | | | |
| Federal Government | | | | | | | | |
| INAC | \$ 3,946,044 | \$ 3,479,311 | \$ - | \$ - | \$ - | \$ - | \$ 13,611,177 | \$ 10,149,538 |
| FNIHB | | | 2,040,236 | 1,695,155 | | | 2,040,236 | 1,695,155 |
| CMHC | | | | | 945,358 | 498,356 | 1,212,308 | 562,356 |
| ESDC | | | | | | | 416,937 | 406,119 |
| Subtotal | <u>3,946,044</u> | <u>3,479,311</u> | <u>2,040,236</u> | <u>1,695,155</u> | <u>945,358</u> | <u>498,356</u> | <u>17,280,658</u> | <u>12,813,168</u> |
| Provincial Government Manitoba Finance - Taxation | | | | | | | 427,260 | 570,623 |
| Other | <u>36,000</u> | <u>47,505</u> | <u>18,475</u> | <u>24,334</u> | <u>349,022</u> | <u>313,429</u> | <u>1,169,267</u> | <u>5,330,697</u> |
| Total revenue | <u>3,982,044</u> | <u>3,526,816</u> | <u>2,058,711</u> | <u>1,719,489</u> | <u>1,294,380</u> | <u>811,785</u> | <u>18,877,185</u> | <u>18,714,488</u> |
| Expenditures | | | | | | | | |
| Salaries and benefits | 1,857,531 | 1,629,037 | 1,023,330 | 880,556 | | | 4,204,178 | 4,587,510 |
| Debt servicing | | | | | 156,119 | 185,855 | 198,060 | 203,987 |
| Amortization | | | 69,178 | 44,469 | 505,805 | 488,007 | 1,291,845 | 2,941,108 |
| Other | <u>1,828,477</u> | <u>2,041,046</u> | <u>807,833</u> | <u>742,755</u> | <u>778,569</u> | <u>370,332</u> | <u>13,570,620</u> | <u>11,478,548</u> |
| Total expenses | <u>3,686,008</u> | <u>3,670,083</u> | <u>1,900,341</u> | <u>1,667,780</u> | <u>1,440,493</u> | <u>1,044,194</u> | <u>19,264,703</u> | <u>19,211,153</u> |
| Surplus (Deficit) | \$ <u>296,036</u> | \$ <u>(143,267)</u> | \$ <u>158,370</u> | \$ <u>51,709</u> | \$ <u>(146,113)</u> | \$ <u>(232,409)</u> | \$ <u>(387,518)</u> | \$ <u>(496,665)</u> |