
LAKE MANITOBA TREATY 2 FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

LAKE MANITOBA TREATY 2 FIRST NATION

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MARCH 31, 2018

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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.

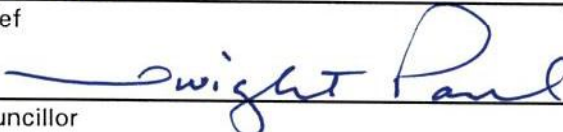
The First Nation maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the First Nation's assets are appropriately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

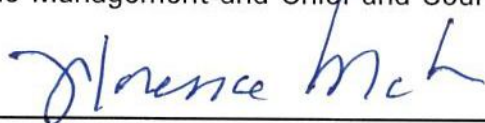
Management reviews the First Nation's consolidated financial statements with Chief and Council and recommends their approval. The Chief and Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters 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.

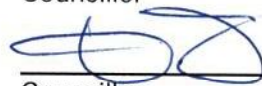
The consolidated financial statements have been audited by Collins Barrow HMA LLP in accordance with Canadian generally accepted auditing standards on behalf of the members. Collins Barrow HMA LLP has full and free access to the Management and Chief and Council.



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, 2018, 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, 2018, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Winnipeg, Manitoba
July 12, 2018

Collins Barrow HMA LLP
Chartered Professional Accountants

LAKE MANITOBA TREATY 2 FIRST NATION

STATEMENT 1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MARCH 31

	2018	2017
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FINANCIAL ASSETS

Restricted cash (Note 8)	\$ 1,140,105	\$ 2,872,554
Accounts receivable (Note 3)	636,814	665,477
Inventory (Note 9)	105,444	88,549
	<u>1,882,363</u>	<u>3,626,580</u>

LIABILITIES

Bank indebtedness (Note 5)	317,676	254,344
Accounts payable and accrued liabilities (Note 6)	2,107,939	4,056,045
CMHC advances payable (Note 14)	904,233	1,440,005
Deferred revenue (Note 7)	13,655,415	4,714,905
Long-term debt (Note 10)	8,223,634	7,316,605
	<u>25,208,897</u>	<u>17,781,904</u>
NET DEBT	(23,326,534)	(14,155,324)

NON-FINANCIAL ASSETS

PREPAID EXPENSES	243,937	55,466
TANGIBLE CAPITAL ASSETS (Note 21)	30,256,469	29,206,621
CONSTRUCTION IN PROGRESS (Note 11)	13,618,487	5,413,107
	<u>44,118,893</u>	<u>34,675,194</u>
ACCUMULATED SURPLUS	\$ 20,792,359	\$ 20,519,870
CONTINGENCIES (Note 18)		

Approved by Chief and Council

Chief

Councillor

Councillor

Councillor

LAKE MANITOBA TREATY 2 FIRST NATION

STATEMENT 2

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

YEAR ENDED MARCH 31

		2 0 1 8	2 0 1 7
REVENUE			
Indigenous and Northern Affairs Canada	\$ 19,486,074	\$ 19,549,290	\$ 13,611,177
First Nations and Inuit Health	2,187,491	2,626,794	2,040,236
Province of Manitoba	427,000	502,771	427,260
Canada Mortgage and Housing Corporation	900,000	769,320	945,358
Employment and Social Development Canada	329,157	364,961	416,938
Sales - Gas Bar and Convenience Store		3,110,713	2,953,695
VLT revenue		996,942	975,779
Rental revenue - CMHC	350,000	327,128	349,022
Other revenue	1,240,000	1,930,903	1,240,220
Deferred from prior year	4,714,905	4,714,905	632,405
Deferred to next year	<u>(4,975,000)</u>	<u>(13,655,415)</u>	<u>(4,714,905)</u>
	<u>24,659,627</u>	<u>21,238,312</u>	<u>18,877,185</u>
EXPENDITURES			
Administration	904,284	1,368,035	1,120,242
Capital projects	13,814,808	5,243,260	2,391,711
Community wellness	2,186,691	2,368,422	1,900,341
Community and economic development	467,913	5,104,799	4,968,653
Community services	587,082	660,340	386,204
Education	1,399,826	1,406,692	3,686,008
Housing	1,440,000	1,286,545	1,440,493
Social Services	<u>3,565,830</u>	<u>3,527,730</u>	<u>3,371,051</u>
	<u>24,366,434</u>	<u>20,965,823</u>	<u>19,264,703</u>
ANNUAL SURPLUS (DEFICIT)	293,193	272,489	(387,518)
ACCUMULATED SURPLUS, <i>beginning of year</i>	<u>20,519,870</u>	<u>20,519,870</u>	<u>20,907,388</u>
ACCUMULATED SURPLUS, <i>end of year</i>	\$ <u><u>20,813,063</u></u>	\$ <u><u>20,792,359</u></u>	\$ <u><u>20,519,870</u></u>

LAKE MANITOBA TREATY 2 FIRST NATION

STATEMENT 3

CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT

YEAR ENDED MARCH 31

	2018	2017
ANNUAL SURPLUS (DEFICIT)	\$ <u>293,193</u>	\$ <u>272,489</u> \$(<u>387,518</u>)
Purchase of tangible capital assets	(<u>2,387,815</u>)	(<u>2,387,815</u>) (<u>408,773</u>)
Amortization of tangible capital assets	<u>1,337,967</u>	<u>1,337,967</u> <u>1,291,845</u>
	(<u>1,049,848</u>)	(<u>1,049,848</u>) <u>883,072</u>
Acquisition of prepaid expenses	(<u>243,937</u>)	(<u>243,937</u>) (<u>55,466</u>)
Use of prepaid expenses	<u>55,466</u>	<u>55,466</u> <u>72,546</u>
	(<u>188,471</u>)	(<u>188,471</u>) <u>17,080</u>
Acquisition of construction in progress	(<u>13,618,487</u>)	(<u>13,618,487</u>) (<u>5,413,107</u>)
Use of construction in progress	<u>5,413,107</u>	<u>5,413,107</u> <u>545,061</u>
	(<u>8,205,380</u>)	(<u>8,205,380</u>) (<u>4,868,046</u>)
CHANGE IN NET DEBT FOR THE YEAR	(<u>9,150,506</u>)	(<u>9,171,210</u>) (<u>4,355,412</u>)
NET DEBT, <i>beginning of year</i>	(<u>14,155,324</u>)	(<u>14,155,324</u>) (<u>9,799,912</u>)
NET DEBT, <i>end of year</i>	<u><u>\$ (23,305,830)</u></u>	<u><u>\$ (23,326,534)</u></u> <u><u>\$ (14,155,324)</u></u>

LAKE MANITOBA TREATY 2 FIRST NATION

STATEMENT 4

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31

	2018	2017
CASH FLOW FROM		
<i>OPERATING ACTIVITIES</i>		
Cash receipts from funding agencies and other sources	\$ 30,047,114	\$ 22,466,561
Cash paid to suppliers	(14,662,598)	(12,372,894)
Cash paid to employees	(4,332,630)	(4,204,178)
Interest paid	(183,319)	(198,060)
Distributions to the community	(557,445)	(626,841)
	<u>10,311,122</u>	<u>5,064,588</u>
<i>INVESTING ACTIVITIES</i>		
Purchase of tangible capital assets	(1,084,948)	(408,773)
Construction in progress	(11,393,212)	(2,760,219)
	<u>(12,478,160)</u>	<u>(3,168,992)</u>
<i>FINANCING ACTIVITIES</i>		
Proceeds from long-term debt	1,010,866	1,440,005
Repayment of long-term debt	(639,609)	(615,103)
	<u>371,257</u>	<u>824,902</u>
NET INCREASE (DECREASE) IN CASH DURING YEAR	(1,795,781)	2,720,498
CASH, <i>beginning of year</i>	<u>2,618,210</u>	<u>(102,288)</u>
CASH, <i>end of year</i>	<u>\$ 822,429</u>	<u>\$ 2,618,210</u>
CASH COMPRISED OF		
Bank indebtedness	\$(317,676)	\$(254,344)
Restricted cash	<u>1,140,105</u>	<u>2,872,554</u>
	<u>\$ 822,429</u>	<u>\$ 2,618,210</u>

LAKE MANITOBA TREATY 2 FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

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, 2018

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, 2018

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, 2018

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.

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

	2 0 1 8	2 0 1 7
Indigenous and Northern Affairs Canada <i>(Note 4)</i>	\$ 309,862	\$ 230,413
Canada Housing and Mortgage Corporation	212,355	291,833
First Peoples Development Inc.	8,919	10,819
Manitoba Finance	21,047	35,598
Trade and other	<u>84,631</u>	<u>96,814</u>
	<u>\$ 636,814</u>	<u>\$ 665,477</u>

4. ACCOUNTS RECEIVABLE - INAC

	2 0 1 8	2 0 1 6
Response	\$ 93,280	\$ 93,280
Economic development	8,282	8,282
Borrow pit decommissioning	108,300	
Waste and water	100,000	112,000
Tuition agreement	<u>-</u>	<u>16,851</u>
	<u>\$ 309,862</u>	<u>\$ 230,413</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

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 \$317,676 (2017 - \$254,344). The line of credit has an interest rate of prime plus 4.50 % (7.95%) (2017 - 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

	2 0 1 8	2 0 1 7
Trade payables	\$ 2,053,913	\$ 3,990,394
Payroll liabilities	40,150	52,727
Accrued interest	<u>13,876</u>	<u>12,924</u>
	<u>\$ 2,107,939</u>	<u>\$ 4,056,045</u>

7. DEFERRED REVENUE

	2 0 1 8	2 0 1 7
INAC - Waste and Water - PM Associates	\$ 13,426,558	\$ 4,632,405
INAC - Capacity Development		82,500
INAC - Fire Protection	156,995	
FNIH - Child First Initiative	<u>71,862</u>	<u>-</u>
	<u>\$ 13,655,415</u>	<u>\$ 4,714,905</u>

The First Nation has received funding of \$13,426,558 from INAC, which has been recorded as deferred revenue since the construction of the lagoon was not completed as at March 31, 2018. The estimated total cost of the project and date of completion are unknown at this time. As at March 31, 2018, \$12,714,254 has been invested into this project (2017 - \$3,973,102) and is recorded as construction in progress.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

8. RESTRICTED CASH

	2 0 1 8	2 0 1 7
Ottawa Trust Fund	\$ 5,580	\$ 5,136
CMHC Replacement Reserve	108,467	106,098
Waste and Water - PM Associates	974,304	2,761,320
Borrow Pit - Ingram Consulting	<u>51,754</u>	<u>-</u>
	<u>\$ 1,140,107</u>	<u>\$ 2,872,556</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. *Borrow Pit - Ingram Consulting*

Funds held by Ingram Consulting are restricted for use on Borrow Pit Decommissioning Project.

9. INVENTORY

	2 0 1 8	2 0 1 7
Groceries and cigarettes	\$ 80,481	\$ 73,345
Fuel and diesel	<u>24,963</u>	<u>15,204</u>
	<u>\$ 105,444</u>	<u>\$ 88,549</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

10. LONG TERM DEBT

	2018	2017
CIBC - repayable at \$6,416 monthly, including interest at 2.84%, renews October 2018.	\$ 112,952	\$ 184,411
CIBC - repayable at \$4,775 monthly, including interest at 4.09% renews May 2021.	199,018	246,947
CIBC - repayable at \$6,297 monthly, including interest 5.14%, renews May 2018.	160,328	225,916
CMHC - repayable at \$540 monthly, including interest 1.62%, renews May 2018, matures January 2033.	85,496	90,556
CMHC - repayable at \$640 monthly, including interest at 1.62%, renews May 2018, matures January 2033.	101,313	107,309
CMHC - repayable at \$3,253 monthly, including interest at 1.62%, renews May 2018, matures January 2033.	514,591	545,047
CMHC - repayable at \$5,150 monthly, including interest at 2.08%, renews February 2019, matures February 2034.	837,183	881,143
CMHC - repayable at \$9,144 monthly, including interest at 2.08%, renews February 2019, matures February 2034.	1,486,578	1,564,639
CMHC - repayable at \$2,415 monthly, including interest at 1.83%, renews December 2019, matures November 2034.	416,196	437,376
CMHC - repayable at \$3,361 monthly, including interest at 1.04%, renews March 2021, matures December 2035.	653,492	686,850
CMHC - repayable at \$2,922 monthly, including interest at 1.48%, renews January 2022, matures January 2037.	576,238	602,589
CMHC - repayable at \$4,783 monthly, including interest at 2.39%, renews March 2023, matures January 2038.	906,827	945,410
CMHC - repayable at \$1,622 monthly, including interest at 2.18%, renews January 2019, matures January 2039.	325,907	338,158
CMHC - repayable at \$1,543 monthly, including interest at 1.23%, renews May 2020, matures May 2040.	359,253	373,270
CMHC - repayable at \$9,618 monthly, including interest at 1.50%, renews July 2022, matures July 2032.	<u>1,488,262</u>	<u>86,984</u>
	<u>\$ 8,223,634</u>	<u>\$ 7,316,605</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

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

Principal repayment terms are approximately:

2019	\$ 599,879
2020	575,023
2021	488,228
2022	471,794
2023	434,798
Thereafter	<u>5,653,912</u>
	<u>\$ 8,223,634</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, 2018 \$12,714,254 (2017 - \$3,973,102) 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 \$904,233 incurred as at March 31, 2018 is deferred until the subsequent year, when the project will be completed.

12. RECONCILIATION OF INAC FUNDING

	2018	2017
INAC funding per confirmation	\$ 19,549,290	\$ 13,611,177
Plus: prior year deferred revenue	4,714,905	632,405
Less: current year deferred revenue	<u>(13,583,553)</u>	<u>(4,714,905)</u>
INAC funding per financial statements	<u>\$ 10,680,642</u>	<u>\$ 9,528,677</u>

13. RECONCILIATION OF FNIH FUNDING

	2018	2017
FNIH funding per confirmation	\$ 2,626,794	\$ 2,040,236
Add: current year deferred revenue	<u>(71,862)</u>	<u>-</u>
FNIH funding per financial statements	<u>\$ 2,554,932</u>	<u>\$ 2,040,236</u>

14. CMHC ADVANCES PAYABLE

As of March 31, 2018 Canada Mortgage and Housing Corporation advanced \$904,233 towards the construction of the Eight Unit Section 95 Project which was not completed, and reported as construction in progress as of March 31, 2018.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

15. 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.

16. CONSOLIDATED EXPENSES BY OBJECT

	2 0 1 8	2 0 1 7
Amortization	\$ 1,337,967	\$ 1,291,845
Bank charges and interest	183,319	198,060
Compensation and training	4,332,630	4,204,178
Purchased goods and services	10,005,976	7,626,424
Social assistance	3,459,112	3,300,660
Support to community and members	557,445	869,929
Travel, accommodation, and related costs	814,254	944,799
Tuition	<u>275,120</u>	<u>828,808</u>
	<u>\$ 20,965,823</u>	<u>\$ 19,264,703</u>

17. 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.

18. CONTINGENCIES

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, 2018 might be recovered by these agencies.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

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. COMPARATIVE FIGURES

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

21. TANGIBLE CAPITAL ASSETS

	Cost			Accumulated Amortization			Net Book Value	
	Opening	Additions	Closing Balance	Opening	Amortization	Closing Balance	Total	Total
	Balance			Balance			2 0 1 8	2 0 1 7
Land	\$ 220,500	\$	\$ 220,500	\$	\$	\$	\$ 220,500	\$ 220,500
Band buildings	4,935,439	164,130	5,099,569	3,640,006	88,339	3,728,345	1,371,224	1,295,433
Health building	101,817	165,140	266,957				266,957	101,817
CMHC buildings	12,382,857	1,550,097	13,932,954	4,150,738	552,626	4,703,364	9,229,590	8,232,119
Infrastructure	32,256,939		32,256,939	13,550,914	498,927	14,049,841	18,207,098	18,706,025
Heavy equipment	808,192	305,500	1,113,692	562,294	63,138	625,432	488,260	245,898
Vehicles	2,059,483	118,284	2,177,767	1,831,511	86,134	1,917,645	260,122	227,972
Furniture and fixtures	321,560	46,500	368,060	244,719	20,018	264,737	103,323	76,841
Equipment	741,042	8,450	749,492	647,865	19,574	667,439	82,053	93,177
Computers	148,457	29,714	178,171	146,041	8,990	155,031	23,140	2,416
Leaseholds	8,187	-	8,187	3,764	221	3,985	4,202	4,423
	<u>\$ 53,984,473</u>	<u>\$ 2,387,815</u>	<u>\$ 56,372,288</u>	<u>\$ 24,777,852</u>	<u>\$ 1,337,967</u>	<u>\$ 26,115,819</u>	<u>\$ 30,256,469</u>	<u>\$ 29,206,621</u>

LAKE MANITOBA TREATY 2 FIRST NATION

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31

22. GOVERNMENT TRANSFERS

	2018			2017		
	<u>Operating</u>	<u>Capital</u>	<u>Total</u>	<u>Operating</u>	<u>Capital</u>	<u>Total</u>
Federal Government Transfers						
INAC	\$ 5,522,251	\$ 14,027,039	\$ 19,549,290	\$ 8,259,817	\$ 5,351,360	\$ 13,611,177
FNIH	2,626,794		2,626,794	2,040,236		2,040,236
CMHC	566,496	202,824	769,320	492,833	719,475	1,212,308
ESDC	<u>364,961</u>	<u>-</u>	<u>364,961</u>	<u>416,937</u>	<u>-</u>	<u>416,937</u>
	9,080,502	14,229,863	23,310,365	11,209,823	6,070,835	17,280,658
Provincial Government Transfers	<u>502,771</u>	<u>-</u>	<u>502,771</u>	<u>427,260</u>	<u>-</u>	<u>427,260</u>
	<u>\$ 9,583,273</u>	<u>\$ 14,229,863</u>	<u>\$ 23,813,136</u>	<u>\$ 11,637,083</u>	<u>\$ 6,070,835</u>	<u>\$ 17,707,918</u>

LAKE MANITOBA TREATY 2 FIRST NATION

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31

23. SEGMENT DISCLOSURE

	BAND ADMINISTRATION		SOCIAL ASSISTANCE		COMMUNITY SERVICES		CAPITAL PROJECTS		COMMUNITY AND ECONOMIC DEVELOPMENT	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues										
Federal Government										
INAC	\$ 558,096	\$ 611,138	\$ 3,264,726	\$ 3,301,394	\$ 594,918	\$ 306,037	\$ 13,642,024	\$ 5,351,360	\$ 95,204	\$ 95,204
FNIHB										
CMHC										
ESDC	-	-	-	-	-	-	-	-	364,961	416,938
Subtotal	558,096	611,138	3,264,726	3,301,394	594,918	306,037	13,642,024	5,351,360	460,165	512,142
Provincial Government										
Manitoba Finance - Taxation										427,260
Other	82,500	792,311	-	-	(156,995)	-	(7,123,015)	(3,693,150)	4,727,132	3,933,558
Total revenue	640,596	1,403,449	3,264,726	3,301,394	437,923	306,037	6,519,009	1,658,210	5,187,297	4,872,960
Expenses										
Salaries and benefits	506,295	396,122	62,862	64,572	130,733	121,542	45,304	48,236	1,117,881	692,845
Debt servicing (interest)	14,617	29,580	5,756	5,819					6,930	6,542
Amortization							683,894	696,288	-	20,574
Other	847,123	694,540	3,459,112	3,300,660	529,607	264,662	4,514,062	1,647,187	3,979,988	4,248,692
Total expenses	1,368,035	1,120,242	3,527,730	3,371,051	660,340	386,204	5,243,260	2,391,711	5,104,799	4,968,653
Surplus (Deficit)	\$ (727,439)	\$ 283,207	\$ (263,004)	\$ (69,657)	\$ (222,417)	\$ (80,167)	\$ 1,275,749	\$ (733,501)	\$ 82,498	\$ (95,693)

LAKE MANITOBA TREATY 2 FIRST NATION

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31

23. SEGMENT DISCLOSURE (continued)

	EDUCATION		COMMUNITY WELLNESS		HOUSING		TOTAL	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues								
Federal Government								
INAC	\$ 1,394,322	\$ 3,946,044	\$	\$	\$	\$	\$ 19,549,290	\$ 13,611,177
FNIHB			2,626,794	2,040,236			2,626,794	2,040,236
CMHC					769,320	945,358	769,320	945,358
ESDC	-	-	-	-	-	-	364,961	416,938
Subtotal	<u>1,394,322</u>	<u>3,946,044</u>	<u>2,626,794</u>	<u>2,040,236</u>	<u>769,320</u>	<u>945,358</u>	<u>23,310,365</u>	<u>17,013,709</u>
Provincial Government Manitoba Finance - Taxation								427,260
Other	-	36,000	(71,862)	18,475	470,187	349,022	(2,072,053)	1,436,216
Total revenue	<u>1,394,322</u>	<u>3,982,044</u>	<u>2,554,932</u>	<u>2,058,711</u>	<u>1,239,507</u>	<u>1,294,380</u>	<u>21,238,312</u>	<u>18,877,185</u>
Expenditures								
Salaries and benefits	1,172,083	1,857,531	1,297,472	1,023,330			4,332,630	4,204,178
Debt servicing					156,016	156,119	183,319	198,060
Amortization				69,178	654,073	505,805	1,337,967	1,291,845
Other	<u>234,609</u>	<u>1,828,477</u>	<u>1,070,950</u>	<u>807,833</u>	<u>476,456</u>	<u>778,569</u>	<u>15,111,907</u>	<u>13,570,620</u>
Total expenses	<u>1,406,692</u>	<u>3,686,008</u>	<u>2,368,422</u>	<u>1,900,341</u>	<u>1,286,545</u>	<u>1,440,493</u>	<u>20,965,823</u>	<u>19,264,703</u>
Surplus (Deficit)	<u>\$ (12,370)</u>	<u>\$ 296,036</u>	<u>\$ 186,510</u>	<u>\$ 158,370</u>	<u>\$ (47,038)</u>	<u>\$ (146,113)</u>	<u>\$ 272,489</u>	<u>\$ (387,518)</u>