

**PINAYMOOTANG FIRST NATION
INDEPENDENT AUDITOR'S REPORT
CONSOLIDATED FINANCIAL STATEMENTS**

MARCH 31, 2016

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PINAYMOOTANG FIRST NATION

MARCH 31, 2016

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of the Pinaymootang First Nation are the responsibility of management and have been approved by the Chief and Council.

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of Chartered Professional Accountants of Canada and as such include certain amounts based on estimates or judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the 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 is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements.

The Chief and Council review the First Nation's consolidated financial statements and recommends their approval to the membership. Chief and Council meet 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, to review the consolidated financial statements and the external auditors' report. The Chief and Council also consider and submit for approval by the Members, the engagement of the external auditors.

The consolidated financial statements have been audited by PKBW GROUP Chartered Accountants & Business Advisors Inc. in accordance with Canadian generally accepted auditing standards on behalf of the members. PKBW GROUP Chartered Accountants & Business Advisors Inc. have full and free access to Chief and Council.



Chief Barry Anderson



INDEPENDENT AUDITORS' REPORT

To The Members of Pinaymootang First Nation and Chief and Council:

We have audited the accompanying consolidated financial statements of Pinaymootang First Nation, which comprise the consolidated statement of financial position as at March 31, 2016, and the consolidated statements of operations and accumulated surplus, changes in net debt and cash flow 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 the fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 financial statements are free from material misstatement.

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

Except as described in the basis for qualified opinion paragraph, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

During the course of our audit for the current year, we observed deficiencies in the accounting and reporting of gas, store and restaurant revenues and related cost of sales of Powder Horn Creek Restaurant & Gas and the Grocery Store and Gas Bar. Specifically, these deficiencies arose from improper account coding of transactions posted in the accounting records. As a result of these deficiencies, we were unable to obtain satisfactory evidence to determine the reasonability and accuracy of the gross profit and gross profit margin. Consequently, we were unable to determine whether any adjustments, if any, might be required to adjust revenues and cost of sales of Powder Horn Creek Restaurant & Gas and the Grocery Store and Gas Bar.



CHARTERED ACCOUNTANTS
& BUSINESS ADVISORS INC.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Qualified Opinion

In our opinion, except for the effect of adjustments described in the preceding paragraph, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of Pinaymootang First Nation as at March 31, 2016 and the consolidated statements of operations, changes in net debt, and cash flow for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads 'PKBW Group'.

Winnipeg, Manitoba
December 2, 2016

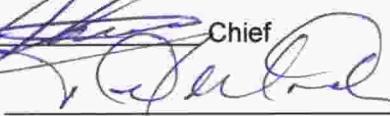
CHARTERED ACCOUNTANTS
& BUSINESS ADVISORS INC.

PINAYMOOTANG FIRST NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2016

	2016	2015
FINANCIAL ASSETS		
Cash (Note 3)	\$ 1,160,605	-
Trust funds held by the federal government (Note 4)	11,020	10,494
Accounts receivable (Note 5)	90,368	119,958
Due from government and other government organizations (Note 6)	479,779	595,060
Inventories for resale (Note 7)	<u>63,622</u>	<u>91,443</u>
	<u>1,805,394</u>	<u>816,955</u>
LIABILITIES		
Bank indebtedness (Note 3)	-	192,083
Accounts payable and accrued liabilities (Note 8)	2,725,755	2,475,297
Due to government and other governmental organizations (Note 9)	396,990	316,476
Demand loans (Note 10)	3,311,000	-
Deferred revenue (Note 11)	1,727,043	582,319
Long-term debt (Note 12)	6,690,340	6,548,013
CMHC forgivable loans (Note 13)	<u>123,820</u>	<u>145,565</u>
	<u>14,974,948</u>	<u>10,259,753</u>
NET DEBT	(13,169,554)	(9,442,798)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 15)	50,698,344	48,770,150
Prepaid expenses and deferred charges	<u>83,148</u>	<u>186,499</u>
	<u>50,781,492</u>	<u>48,956,649</u>
ACCUMULATED SURPLUS	\$ 37,611,938	39,513,851

APPROVED BY THE FIRST NATION:


Chief

Councillor

Councillor

Councillor

Councillor

PINAYMOOTANG FIRST NATION
CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
YEAR ENDED MARCH 31, 2016

	2016	2015
	Budget (Note 18)	Actual
REVENUE		
Federal government transfers for operating	\$ 9,786,944	10,296,198
Federal government transfers for capital	815,521	1,033,161
Provincial government transfers for operating	-	234,810
Economic activities	8,099,000	7,966,793
Other revenue	<u>226,000</u>	<u>262,692</u>
	<u><u>18,927,465</u></u>	<u><u>19,793,654</u></u>
	<u><u>18,927,465</u></u>	<u><u>21,162,354</u></u>
EXPENSES		
Health	2,002,735	1,989,002
Education	2,562,204	2,866,672
Social services	2,896,814	3,187,982
Economic development	593,474	599,006
Public works	523,753	540,720
Housing	196,560	121,616
Band government	1,476,410	2,241,851
Private enterprises	8,127,520	8,396,166
Elimination adjustments	-	(432,488)
Interest	340,896	141,485
Amortization of tangible capital assets	<u>-</u>	<u>2,043,555</u>
	<u><u>18,720,366</u></u>	<u><u>21,695,567</u></u>
	<u><u>18,720,366</u></u>	<u><u>21,350,896</u></u>
ANNUAL SURPLUS (DEFICIT)	\$ 207,099	(1,901,913)
	<u>207,099</u>	<u>(1,901,913)</u>
	<u>(188,542)</u>	
ACCUMULATED SURPLUS, BEGINNING OF YEAR,	\$ 39,513,851	39,513,851
	<u>39,513,851</u>	<u>39,702,393</u>
ANNUAL SURPLUS (DEFICIT)	<u>207,099</u>	<u>(1,901,913)</u>
	<u>(188,542)</u>	
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 39,720,950</u>	<u>37,611,938</u>
	<u>39,720,950</u>	<u>39,513,851</u>

PINAYMOOTANG FIRST NATION
CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT
YEAR ENDED MARCH 31, 2016

	<u>Budget</u>	<u>2016 Actual</u>	<u>2015 Actual</u>
ANNUAL SURPLUS (DEFICIT)	\$ 207,099	(1,901,913)	(188,542)
Tangible capital assets			
Acquisition of tangible capital assets	-	(4,158,166)	(8,197,839)
Amortization of tangible capital assets	-	2,043,555	1,982,037
Assets under construction completed	-	-	6,227,214
Loss on disposal of tangible capital assets	-	186,417	44
Other non-financial assets	-	(1,928,194)	11,456
Consumption (acquisition) of prepaid expenses	-	103,351	(95,128)
DECREASE (INCREASE) IN NET DEBT	207,099	(3,726,756)	(272,214)
NET DEBT, BEGINNING OF YEAR	(9,442,798)	(9,442,798)	(9,170,584)
NET DEBT, END OF YEAR	\$ (9,235,699)	(13,169,554)	(9,442,798)

PINAYMOOTANG FIRST NATION
CONSOLIDATED STATEMENT OF CASH FLOW
YEAR ENDED MARCH 31, 2016

	2016	2015
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Annual surplus (deficit)	\$ (1,901,913)	(188,542)
Add back non-cash item(s):		
Amortization of tangible capital assets	2,043,555	1,982,037
Loss on disposal of capital assets	<u>186,417</u>	<u>44</u>
	328,059	1,793,539
Change in non-cash working capital:		
Accounts receivable	29,590	(35,766)
Due from government and other government organizations	115,281	114,257
Inventories for resale	27,821	9,751
Accounts payable and accrued liabilities	250,458	(247,746)
Due to government and other governmental organizations	80,514	48,501
Deferred revenue	1,144,724	(437,376)
CMHC forgivable loans	(21,745)	36,697
Prepaid expenses and deferred charges	<u>103,351</u>	<u>(95,128)</u>
	<u>2,058,053</u>	<u>1,186,729</u>
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(4,158,166)	(8,197,839)
Assets under construction completed	<u>-</u>	<u>6,227,214</u>
	<u>(4,158,166)</u>	<u>(1,970,625)</u>
FINANCING ACTIVITIES		
Demand loan advances	3,311,000	-
Long-term debt advances	841,215	584,991
Long-term debt repayments	<u>(698,888)</u>	<u>(429,652)</u>
	<u>3,453,327</u>	<u>155,339</u>
INCREASE (DECREASE) IN CASH	1,353,214	(628,557)
CASH, BEGINNING OF YEAR	<u>(181,589)</u>	<u>446,968</u>
CASH (BANK INDEBTEDNESS), END OF YEAR	<u>\$ 1,171,625</u>	<u>(181,589)</u>
CASH (BANK INDEBTEDNESS) IS REPRESENTED BY:		
Cash	\$ 1,160,605	(192,083)
Cash in Ottawa Trusts	<u>11,020</u>	<u>10,494</u>
	<u>\$ 1,171,625</u>	<u>(181,589)</u>

PINAYMOOTANG FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The First Nation follows the INAC accounting guidelines as set out in the "Year End Reporting Handbook for funding agreements covering fiscal year 2015-2016" which requires that the consolidated financial statements be prepared in accordance with Canadian generally accepted accounting principles for governments, as defined in the Chartered Professional Accountants of Canada Public Sector Accounting Handbook.

(b) Reporting Entity

Pinaymootang First Nation is a non-profit Indian Band as defined by Indigenous and Northern Affairs Canada (INAC). The objective of the First Nation is to operate as the governing entity in providing services on the reserve in all areas. Pinaymootang First Nation reporting entity includes all related entities which are accountable to the First Nation and are either owned or controlled by the First Nation.

(c) Basis of Consolidation

All controlled entities are fully consolidated on a line-by-line basis. This method combines the accounts of distinct organizations. It requires uniform accounting policies for the organizations. Inter-organizational balances and transactions are eliminated under this method. This method reports the organizations as if they were one organization. These financial statements include the financial assets, liabilities, net debt, non-financial assets, accumulated surplus, revenue and expenses for the following entities controlled or owned by the First Nation:

Pinaymootang First Nation

Pinaymootang First Nation Arena and Lottery

Pinaymootang First Nation CMHC Housing Authority

Pinaymootang First Nation Grocery Store and Gas Bar

Pinaymootang First Nation Health Authority

Pinaymootang First Nation Human Resource Development Strategy

Powder Horn Creek Restaurant & Gas

Wabung Abinoochi'ak Day Care Centre

(d) Asset Classification

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations. Non-financial assets are acquired, constructed or developed assets that do not provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale. Non-financial assets include tangible capital assets, construction in progress, prepaid expenses and inventories of supplies.

(e) Inventory

Inventories for resale are stated at the lower of cost and net realizable value with cost being determined using the first-in, first-out method.

PINAYMOOTANG FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Tangible Capital Assets

Tangible capital assets include acquired, built, developed and improved tangible capital assets, whose useful life extends beyond one year and which are intended to be used on an ongoing basis for producing goods or delivering services.

Tangible capital assets are reported at gross cost. Contributions received to assist in the acquisition of tangible capital assets are reported as deferred revenue and amortized to income at the same rate as the related asset.

Certain assets which have historical or cultural value, including works of art, historical documents and historical and cultural artifacts, are not recognized as tangible capital assets. Assets under construction are not amortized until the asset is available to be put into service.

Amortization of tangible capital assets is recognized as an expense in the Statement of Operations.

Amortization is provided for on a straight-line basis at the rates in the table that follows. One-half of the annual amortization is charged in the year of acquisition and in the year of disposal.

Buildings	25 - 50 years
Equipment and signage	3 - 10 years
Vehicles	5 - 10 years
Computers	5 years
Infrastructure	20 - 50 years
Roads	40 years
Housing	40 years

(g) Deferred Revenue

Deferred revenue represents unspent Government transfers for programs where eligibility criteria have not been met at year end. The unspent revenue is carried forward to be recognized as eligibility criteria is met or until the funder deems the surplus to be repayable at which time an amount payable is recognized.

(h) Revenue Recognition

Government transfers

Transfers from the Government of Canada are recognized as revenue in the year the entitlement has been authorized, when any eligibility criteria have been met and when the amount can be reasonably estimated.

Other revenue

Restricted other revenue is recognized as revenue in the year in which the related expenses are incurred and when the amount can be reasonably estimated and collection is reasonably assured.

Unrestricted other revenue is recognized when:

- services have been performed, or
- goods have been delivered, or
- the amount has been received or is receivable, and when the amount can be reasonably estimated and collection is reasonably assured.

PINAYMOOTANG FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Net Debt

The First Nation's financial statements are presented so as to highlight net debt as the measurement of financial position. The net debt of the First Nation is determined by its liabilities less its financial assets. Net debt is comprised of two components, non-financial assets and accumulated surplus.

(j) Segmented Information

The First Nation discloses segmented results of operations for the year in note 21 to the consolidated financial statements. The First Nation has segregated its activities into the following segments based on distinguishable groups of activities;

Health

Pinaymootang Health Authority

Education

Pinaymootang Education

Social

Social services

Economic Development

Economic development program

Human Resource Development Strategy

Public Works

Community services

Operations and maintenance

Policing, security and protection

Housing

CMHC housing

Capital housing projects

Band Government

Band administration

Capital projects

Legal Settlements

Private Enterprises

Pinaymootang Arena and VLT

Pinaymootang Grocery Store and Gas Bar

Powderhorn Creek Restaurant & Gas

Wabung Abinoochi'ak Day Care Centre

(k) Use of Estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting periods presented. Actual results could differ from these estimates.

PINAYMOOTANG FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(I) Financial Instruments

Financial instruments held by the First Nation include cash, bank indebtedness, accounts receivable, accounts payable and accrued liabilities, amounts due to/from government and other government organizations, demand loans and long term debt. The First Nation initially measures its financial instruments at fair value when the asset or liability is first recognized. The First Nation subsequently measures its financial instruments at cost or amortized cost. Amortized cost is the amount at which the financial instrument is measured at initial recognition less principal repayments, plus or minus the cumulative of any difference between that initial amount and the maturity amount, and minus any reduction for impairment.

2. RISK MANAGEMENT

(a) Credit Risk

Credit risk is the risk that a counterparty will default on its financial liabilities. Financial assets which potentially subject the First Nation to credit risk and concentrations of credit risk consist principally of cash and accounts receivable. Management manages credit risk associated with accounts receivable by pursuing collections when they are due.

(b) Interest Rate Price Risk

It is management's opinion that the First Nation is exposed to interest rate price risk due to long-term debt being at a fixed rate.

(c) Liquidity Risk

Liquidity risk is the risk that the First Nation will not be able to meet its financial obligations related to financial liabilities as they come due. Financial liabilities consist of accounts payable and accrued liabilities and long-term debt. Accounts payable and accrued liabilities are paid in the normal course of operations and except under certain exceptions, no later than three months. See Note 12 for the repayment schedule of long-term debt. The First Nation has insufficient financial assets to meet or settle its current liabilities.

The First Nation's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet liabilities when due. At March 31, 2016, the First Nation has a bank balance of \$1,160,605 and a net debt position of \$13,169,554. Management of the First Nation are working to reduce the debt through careful management of expenditures. Additionally, \$10,001,340 of the debt relates to long-term debt and demand loans, which is primarily comprised of loans on CMHC housing project and the newly constructed motel and gaming centre. The assets are recorded under non-financial assets on the consolidated statement of financial position.

3. CASH AND BANK INDEBTEDNESS

	2016	2015
Unrestricted - operating	\$ 1,156,673	(241,232)
Externally restricted - CMHC	<u>3,932</u>	<u>49,149</u>
	\$ 1,160,605	(192,083)

The First Nation has a demand line of credit for \$150,000 (2015 - \$270,000) available from First Nations Bank of Canada, of which \$149,274 (2015 - \$210,118) was utilized at the year-end. This line of credit bears interest at prime plus 1.85% and is secured by future funding of Indigenous and Northern Affairs Canada.

PINAYMOOTANG FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016

3. CASH AND BANK INDEBTEDNESS (Continued)

Restrictions on cash

The First Nation is subject to restrictions placed on its cash due to an agreement with CMHC as disclosed in note 16 to these consolidated financial statements. As at March 31, 2016, \$3,932 (2015 - \$49,149) was restricted for expenditures to be approved by CMHC.

4. TRUST FUNDS HELD BY THE FEDERAL GOVERNMENT

	<u>March 31, 2015</u>	<u>Additions 2016</u>	<u>Withdrawals 2016</u>	<u>March 31, 2016</u>
Revenue	\$ 10,352	526	-	10,878
Capital	<u>142</u>	<u>-</u>	<u>-</u>	<u>142</u>
	<u><u>\$ 10,494</u></u>	<u><u>526</u></u>	<u><u>-</u></u>	<u><u>11,020</u></u>

The trust funds arise from monies derived from capital or revenue sources as outlined in Section 62 of the Indian Act. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act.

5. ACCOUNTS RECEIVABLE

	<u>2016</u>	<u>2015</u>
Due from members	\$ 25,840	12,471
Other	<u>64,528</u>	<u>107,487</u>
	<u><u>\$ 90,368</u></u>	<u><u>119,958</u></u>

6. DUE FROM GOVERNMENT AND OTHER GOVERNMENT ORGANIZATIONS

	<u>2016</u>	<u>2015</u>
Federal government		
INAC	\$ 421,863	433,551
CMHC	9,301	49,376
Health Canada	1,471	-
Total Federal government	<u>432,635</u>	<u>482,927</u>
Provincial government	<u>47,144</u>	<u>112,133</u>
	<u><u>\$ 479,779</u></u>	<u><u>595,060</u></u>

7. INVENTORIES FOR RESALE

	<u>2016</u>	<u>2015</u>
Pinaymootang First Nation Grocery Store and Gas Bar	\$ 36,253	48,730
Powderhorn Creek	<u>27,369</u>	<u>42,713</u>
	<u><u>\$ 63,622</u></u>	<u><u>91,443</u></u>

PINAYMOOTANG FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	2016	2015
Trade payables	\$ 737,134	619,122
Accrued salaries and benefits	177,527	156,616
Accrued legal settlements	1,200,000	1,200,000
Accrued hydro	187,064	184,733
Accrued professional fees	187,686	204,076
Other accrued liabilities	<u>236,344</u>	<u>110,750</u>
	<u><u>\$ 2,725,755</u></u>	<u><u>2,475,297</u></u>
9. DUE TO GOVERNMENT AND OTHER GOVERNMENT ORGANIZATIONS	2016	2015
INAC		
Debt management #567	\$ 18,775	18,775
Debt management #789	227,189	227,189
Debt management #793	50,099	50,099
2011/12 Band operated school direct services	5,232	5,232
2014/15 Basic needs	5,914	-
Excess funding accrued as repayable	<u>89,781</u>	<u>15,181</u>
	<u><u>\$ 396,990</u></u>	<u><u>316,476</u></u>
10. DEMAND LOANS	2016	2015
BMO demand loan, interest at BMO's prime rate plus 1.25%, repayable in blended monthly installments for a 15 year amortization period commencing October 2016. Secured by assignment of insurance and a Band Council Resolution.	\$ 2,600,000	-
BMO demand loan, interest at BMO's prime rate plus 1.25%, repayable in blended monthly installments for a 5 year amortization period commencing October 2016. Secured by assignment of insurance and a Band Council Resolution.	<u>711,000</u>	<u>-</u>
	<u><u>\$ 3,311,000</u></u>	<u><u>-</u></u>

PINAYMOOTANG FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016

11. DEFERRED REVENUE

	Balance March 31, 2015	Funding Received 2016	Revenue Recognized/ Repaid 2016	Balance March 31, 2016
Federal Government				
Health Canada	\$ 1,847	1,300,000	1,463	1,300,384
INAC				
Planning, Design and Construction (08681 Contribution)	134,176	-	70,903	63,273
Recovery (NTR3)	349,357	-	-	349,357
Contributions - equipment (NTME)	74,600	-	74,600	-
Capital Planning (NTKB-003)	2,799	-	2,000	799
Negotiations (NGBA)	-	77,000	63,770	13,230
Province of Manitoba				
Road Repairs	<u>19,540</u>	<u>-</u>	<u>19,540</u>	<u>-</u>
	<u>\$ 582,319</u>	<u>1,377,000</u>	<u>232,276</u>	<u>1,727,043</u>

12. LONG-TERM DEBT

Peace Hills Trust Mortgage payable, interest at 5.40%, repayable in blended monthly installments of \$5,731, due September 1, 2019, secured by a Ministerial Guarantee, CMHC undertaking to insure and assignment of fire insurance.

\$ 219,230 276,014

CMHC mortgage payable, interest at 3.90%, repayable in blended monthly installments of \$6,436, due March 1, 2018, secured by a Ministerial Guarantee, CMHC undertaking to insure and assignment of fire insurance.

938,474 980,529

CMHC mortgage payable, interest at 3.90%, repayable in blended monthly installments of \$9,371, due March 1, 2018, secured by a Ministerial Guarantee, CMHC undertaking to insure and assignment of fire insurance.

1,366,438 1,427,671

CMHC mortgage payable, interest at 1.12%, repayable in blended monthly installments of \$2,325, due February 1, 2020, secured by a Ministerial Guarantee, CMHC undertaking to insure and assignment of fire insurance.

475,905 496,037

CMHC mortgage payable, interest at 2.75%, repayable in blended monthly installments of \$4,676, due April 1, 2021, secured by a Ministerial Guarantee and assignment of fire insurance.

865,515 892,883

CMHC mortgage payable, interest at 1.67%, repayable in blended monthly installments of \$2,924, due April 1, 2017, secured by a Ministerial Guarantee and assignment of fire insurance.

624,025 645,601

Sub total

4,489,587 4,718,735

PINAYMOOTANG FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016

12. LONG-TERM DEBT (Continued)	2016	2015
Sub total	4,489,587	4,718,735
CMHC mortgage payable, interest at 2.02%, repayable in blended monthly installments of \$2,540, due August 1, 2018, secured by a Ministerial Guarantee and assignment of fire insurance.	551,800	568,455
Loan payable, First Nations Bank, interest at prime plus 2.05%, repayable in blended monthly installments of \$9,722, due August 1, 2017, secured by a promissory note signed by the Band, a general security agreement, assignment of insurance and a Band Council Resolution.	281,944	-
Loan payable, First Nations Bank, interest at prime plus 2.05%, repayable in blended monthly installments of \$3,445, due November 1, 2021, secured by a promissory note signed by the Band, a general security agreement, assignment of insurance and a Band Council Resolution.	192,927	-
Capital lease, Brandt Finance, interest at 9.30%, repayable in blended monthly installments of \$2,107, due August 1, 2020, secured by a promissory note signed by the Band, a general security agreement, assignment of insurance and a Band Council Resolution.	92,782	-
Loan payable, Tribal Wi-Chi-Way-Win Capital Corporation, interest at 11%, repayable in blended monthly installments of \$6,000, due August 1, 2016, secured by a promissory note signed by the Band, a general security agreement, assignment of insurance and a Band Council Resolution.	29,473	-
Loan payable, Tribal Wi-Chi-Way-Win Capital Corporation, interest at 11%, repayable in blended monthly installments of \$2,754, due August 1, 2016, secured by a promissory note signed by the Band, a general security agreement, assignment of insurance and a Band Council Resolution.	-	66,640
Loan payable, Tribal Wi-Chi-Way-Win Capital Corporation, interest at 9%, repayable in blended monthly installments of \$7,326, due September 1, 2014, secured by a promissory note signed by the Band, a general security agreement, assignment of insurance and a Band Council Resolution.	-	16,203
Loan payable, Manitoba Lotteries Corporation, interest at 2.35%, repayable in blended weekly installments of \$836, due June 19, 2020, secured by 15 video lottery terminals.	174,257	213,900
Loan payable, Manitoba Lotteries Corporation, interest at 2.35%, repayable in blended weekly installments of \$1,488, due June 10, 2020, secured by 20 video lottery terminals.	310,243	380,823
CMHC mortgage payable, interest at 1.12%, repayable in blended monthly installments of \$2,236, due February 1, 2020, secured by a Ministerial Guarantee and assignment of fire insurance.	567,327	583,257
	<u>\$ 6,690,340</u>	<u>6,548,013</u>

**PINAYMOOTANG FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016**

12. LONG-TERM DEBT (Continued)

The principal portion of long-term debt is repayable for the years ended as follows:

March 31,	2017	\$ 608,543
	2018	595,996
	2019	563,085
	2020	477,504
	2021	344,387
	Thereafter	<u>4,100,825</u>

\$ 6,690,340

13. CMHC FORGIVABLE LOANS

The First Nation has received forgivable Residential Rehabilitation Assistance Program (RRAP) housing loans from CMHC. These loans will be forgiven over a period of 2 - 5 years as long as the First Nation continues to inhabit the housing. Should the First Nation default on the terms of the loans, the unearned principal of the forgivable loans plus interest at rates between 5.0% and 7.5% will become due and payable. During the year, new RRAP loans of \$8,700 were received (2015 - \$96,100) and \$30,445 (2015 - \$59,403) of RRAP loans were forgiven.

14. CONTINGENT LIABILITY

The First Nation is contingently liable to repay INAC \$1,484,331 of social development funding received several years ago for which reports concerning the use of these funds were either not submitted or were rejected. INAC has agreed to treat this amount as a contingent liability pending their decision whether or not to pursue collection.

The First Nation is contingently liable to repay INAC \$142,429 regarding a defaulted CMHC loan and related accrued interest. INAC has agreed to treat this amount as a contingent liability pending their investigation into the accuracy of the amount.

A number of claims have been brought forward against the First Nation. This includes a judgment against the band (E. Anthony Ross vs. client) on August 10, 2005 in the amount of \$2,150,000, of which \$950,000 has been paid and \$1,200,000 is setup as payable. It is management's opinion that the First Nation is not liable for any other amounts in this lawsuits.

A claim (Frontier School Division vs. client) was filed March 28, 2007 for \$477,462. It is management's opinion that the First Nation is not liable for any amounts in this lawsuit.

A claim for breach of privacy (Harriet Sumner Pruden vs. client) was filed in the amount of \$50,000. It is management's opinion that the First Nation is not liable for any amounts in this lawsuit.

A claim (First Canadian Fuels vs. client) was filed in the amount of \$238,270. It is management's opinion that the First Nation is not liable for the amount in this lawsuit except to the extent that liabilities to First Canadian Fuels have already been accrued.

During the 2016 fiscal year a claim (First Nations Financial Service vs. client) was filed in the amount of \$114,807. It is management's opinion that the First Nation is not liable for the amount in this lawsuit.

Pinaymootang First Nation, Government of Canada and the Province of Manitoba are negotiating a Comprehensive Settlement Agreement (CSA) which will include all parties dropping all legal action taken against each other as a result of flooding on the First Nation. The CSA has been agreed to in principle in December of 2014 and as of audit report date, the document has not been finalized.

PINAYMOOTANG FIRST NATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016

15. TANGIBLE CAPITAL ASSETS

	COST				ACCUMULATED AMORTIZATION				NET BOOK VALUE	
	Opening Balance	Additions	Transfers / Disposals	Closing Balance	Opening Balance	Amortization	Disposals and Write Offs	Closing Balance	Total 2016	Total 2015
Tangible Capital Assets										
Land	\$ 233,146	-	-	233,146	-	-	-	-	233,146	233,146
Buildings	20,256,175	-	(228,745)	20,027,430	10,340,907	483,522	(148,684)	10,675,745	9,351,685	9,915,268
Housing	36,706,031	57,414	(91,000)	36,672,445	13,514,960	805,625	(23,660)	14,296,925	22,375,520	23,191,071
Infrastructure	10,474,619	-	-	10,474,619	1,130,703	248,979	-	1,379,682	9,094,937	9,343,916
Equipment	2,859,384	1,900	-	2,861,284	1,978,181	186,120	-	2,164,301	696,983	881,203
Vehicles	2,577,276	679,430	(287,638)	2,969,068	1,781,510	174,348	(248,622)	1,707,236	1,261,832	795,766
Computers	275,342	1,895	-	277,237	213,285	26,317	-	239,602	37,635	62,057
Roads	5,643,358	70,903	-	5,714,261	1,295,635	118,644	-	1,414,279	4,299,982	4,347,723
	<u>79,025,331</u>	<u>811,542</u>	<u>(607,383)</u>	<u>79,229,490</u>	<u>30,255,181</u>	<u>2,043,555</u>	<u>(420,966)</u>	<u>31,877,770</u>	<u>47,351,720</u>	<u>48,770,150</u>
Assets Under Construction										
Buildings	-	3,346,624	-	3,346,624	-	-	-	-	3,346,624	-
TOTAL	\$79,025,331	4,158,166	(607,383)	82,576,114	30,255,181	2,043,555	(420,966)	31,877,770	50,698,344	48,770,150

PINAYMOOTANG FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016

16. CMHC HOUSING AUTHORITY REPLACEMENT RESERVE

Under the terms of the agreement with CMHC, the replacement reserve account is to be credited with an amount of \$61,625 annually. These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time. The funds in the account may only be used as approved by CMHC. Withdrawals are credited to interest first and then principal. At March 31, 2016, the replacement reserve was underfunded by \$465,223 (2015 - \$402,592) due to the fact that the replacement reserve assets total \$2,024 (2015 - \$2,132) while the replacement reserve liability is \$467,248 (2015 - \$404,724).

17. GOVERNMENT TRANSFERS

	<u>Operating</u>	<u>Capital</u>	<u>Total 2016</u>
Indigenous and Northern Affairs Canada	\$ 7,227,830	870,703	8,098,533
Province of Manitoba	248,040	-	248,040
Canada Mortgage and Housing Corporation	341,387	30,445	371,832
Health Canada	-	132,013	132,013
First Peoples Development	694,612	-	694,612
Health Canada	1,980,507	-	1,980,507
Manitoba First Nation Education Resource Centre	<u>38,632</u>	<u>-</u>	<u>38,632</u>
	<u><u>\$ 10,531,008</u></u>	<u><u>1,033,161</u></u>	<u><u>11,564,169</u></u>

	<u>Operating</u>	<u>Capital</u>	<u>Total 2015</u>
Indigenous and Northern Affairs Canada	\$ 7,310,588	1,883,841	9,194,429
Province of Manitoba	404,674	-	404,674
Canada Mortgage and Housing Corporation	343,555	61,903	405,458
Public Safety Canada	34,374	-	34,374
First Peoples Development	694,612	-	694,612
Health Canada	1,826,502	-	1,826,502
Manitoba First Nation Education Resource Centre	<u>24,231</u>	<u>-</u>	<u>24,231</u>
	<u><u>\$ 10,638,536</u></u>	<u><u>1,945,744</u></u>	<u><u>12,584,280</u></u>

18. BUDGET INFORMATION

The unaudited budget figures have been provided for comparison purposes and have been derived from the estimates approved by Chief and Council.

PINAYMOOTANG FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016

19. EXPENSES BY OBJECT

	<u>2016</u>	<u>2015</u>
Administration and office	\$ 460,976	533,505
Amortization	2,043,555	1,982,037
Bad debts		3,426
Band support	287,899	251,250
Bank charges and interest	82,194	44,600
Business development	36,805	43,232
Capital and equipment	74,545	50,636
Contract fees and services	190,516	116,404
Fuel	152,002	112,072
Fuel for resale	2,382,655	2,402,680
Interest on long-term debt	141,485	140,163
Insurance	238,525	252,480
Loss on disposal of tangible capital assets	147,401	
Operations and maintenance	685,717	712,460
Other expenses	398,659	304,776
Professional fees	158,696	184,746
Repayable (recoveries)	5,914	(10,629)
Social assistance	2,843,902	2,516,005
Supplies and materials	1,449,003	1,433,498
Telephone and communications	90,951	97,597
Training	391,602	490,840
Travel	474,825	508,376
Utilities	177,946	141,319
VLT dollars out	3,410,206	3,546,615
Wages and benefits	5,369,588	5,492,808
	-	-
	<u>\$ 21,695,567</u>	<u>21,350,896</u>

20. SUBSEQUENT EVENTS

Subsequent to the year-end, in September 2016, the 20 unit motel and VLT facility that was under construction during the current fiscal year was completed. Operations commenced in October 2016.

PINAYMOOTANG FIRST NATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016

21. SEGMENTED INFORMATION

	HEALTH			EDUCATION			SOCIAL		
	Budget 2016	2016	2015	Budget 2016	2016	2015	Budget 2016	2016	2015
REVENUES									
Federal Government									
Operating Transfers	\$ 1,920,271	1,980,507	1,826,502	\$ 2,601,611	2,898,440	2,895,154	2,977,089	2,994,595	2,833,574
Capital Transfers	130,551	132,013	-	-	-	-	-	-	-
Provincial Government									
Operating Transfers	-	-	-	-	-	-	-	-	-
Economic Activities	-	-	-	-	-	-	-	-	-
Other	-	26,569	37,576	-	69,147	10,022	-	-	-
	<u>2,050,822</u>	<u>2,139,089</u>	<u>1,864,078</u>	<u>2,601,611</u>	<u>2,967,587</u>	<u>2,905,176</u>	<u>2,977,089</u>	<u>2,994,595</u>	<u>2,833,574</u>
EXPENSES									
Salaries and benefits	900,852	1,068,181	1,018,264	2,050,992	2,228,475	2,302,872	117,986	132,492	148,623
Debt servicing	-	-	-	-	2,718	-	-	-	-
Amortization	-	87,644	96,391	-	219,876	235,062	-	-	-
Other	1,101,883	920,821	838,475	511,212	638,197	576,982	2,778,828	3,055,490	2,842,687
	<u>2,002,735</u>	<u>2,076,646</u>	<u>1,953,130</u>	<u>2,562,204</u>	<u>3,089,266</u>	<u>3,114,916</u>	<u>2,896,814</u>	<u>3,187,982</u>	<u>2,991,310</u>
ANNUAL SURPLUS (DEFICIT)	\$ 48,087	62,443	(89,052)	\$ 39,407	(121,679)	(209,740)	80,275	(193,387)	(157,736)

ADJUSTMENTS

- (i) The imputed value of Band supported housing provided to band members totaling \$292,858 (2015 - \$281,232) is included as an expense in the Basic Needs program and as Band Support and as rental income in the CMHC Housing Authority program.
- (ii) Of the total current year Band other revenue, the following amounts have been recorded as expenses in the sub entities and as an other revenue in the Band; \$102,368 (2015 - \$72,300) in Band Government.
- (iii) Of the total current year Grocery Store and Gas Bar economic activities revenue, the following amounts have been recorded as expenses in the other entities and as economic activities revenue in Grocery Store and Gas Bar; \$37,262 (2015 - \$nil) Band Government.

PINAYMOOTANG FIRST NATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016

21. SEGMENTED INFORMATION

	ECONOMIC DEVELOPMENT			PUBLIC WORKS			HOUSING		
	Budget 2016	2016	2015	Budget 2016	2016	2015	Budget 2016	2016	2015
REVENUES									
Federal Government									
Operating Transfers	593,474	617,825	617,825	523,753	530,931	640,953	314,060	341,387	333,430
Capital Transfers	-	-	-	-	-	-	-	-	2,500
Provincial Government									
Operating Transfers	-	-	-	-	-	-	-	-	-
Economic Activities	-	-	-	-	-	-	-	-	-
Other	-	2,500	2,058	-	-	-	180,000	292,858	281,232
	593,474	620,325	619,883	523,753	530,931	640,953	494,060	634,245	617,162
EXPENSES									
Salaries and benefits	134,587	137,459	92,251	285,424	290,106	282,705	24,960	7,691	13,871
Debt servicing	-	-	-	-	-	-	340,896	106,514	116,301
Amortization	-	11,370	11,181	-	108,017	91,246	-	399,433	392,192
Other	458,887	461,547	513,154	238,329	250,614	278,763	171,600	113,925	159,455
	593,474	610,376	616,586	523,753	648,737	652,714	537,456	627,563	681,819
ANNUAL SURPLUS (DEFICIT)	-	9,949	3,297	-	(117,806)	(11,761)	(43,396)	6,682	(64,657)

PINAYMOOTANG FIRST NATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016

21. SEGMENTED INFORMATION

	BAND GOVERNMENT			PRIVATE ENTERPRISE			ADJUSTMENTS		
	Budget 2016	2016	2015	Budget 2016	2016	2015	Budget 2016	2016	2015
REVENUES									
Federal Government									
Operating Transfers	659,484	724,932	878,843	197,202	207,581	207,581	-	-	-
Capital Transfers	684,970	901,148	1,943,244	-	-	-	-	-	-
Provincial Government									
Operating Transfers	-	234,810	404,674	-	-	-	-	-	-
Economic Activities	-	-	-	8,099,000	8,004,055	8,320,224	-	(37,262)	-
Other	-	163,055	174,716	46,000	103,789	105,778	-	(395,226)	(353,532)
	1,344,454	2,023,945	3,401,477	8,342,202	8,315,425	8,633,583	-	(432,488)	(353,532)
EXPENSES									
Salaries and benefits	419,670	596,589	668,002	990,520	908,595	966,220	-	-	-
Debt servicing	-	8,313	-	-	23,940	23,861	-	-	-
Amortization	-	962,292	881,573	-	254,923	274,392	-	-	-
Other	1,056,740	1,645,262	1,270,248	7,137,000	7,487,571	7,609,657	-	(432,488)	(353,532)
	1,476,410	3,212,456	2,819,823	8,127,520	8,675,029	8,874,130	-	(432,488)	(353,532)
ANNUAL SURPLUS (DEFICIT)	(131,956)	(1,188,511)	581,654	214,682	(359,604)	(240,547)	-	-	-

PINAYMOOTANG FIRST NATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016

21. SEGMENTED INFORMATION

	CONSOLIDATED TOTAL		
	Budget	2016	2015
REVENUES			
Federal Government			
Operating Transfers	9,786,944	10,296,198	10,233,862
Capital Transfers	815,521	1,033,161	1,945,744
Provincial Government			
Operating Transfers	-	234,810	404,674
Economic Activities	8,099,000	7,966,793	8,320,224
Other	226,000	262,692	257,850
	18,927,465	19,793,654	21,162,354
EXPENSES			
Salaries and benefits			
Debt servicing	4,924,991	5,369,588	5,492,808
Amortization	340,896	141,485	140,162
Other	-	2,043,555	1,982,037
	13,454,479	14,140,939	13,735,889
	18,720,366	21,695,567	21,350,896
ANNUAL SURPLUS (DEFICIT)	207,099	(1,901,913)	(188,542)