

**PINAYMOOTANG FIRST NATION
INDEPENDENT AUDITOR'S REPORT
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017**

PINAYMOOTANG FIRST NATION

MARCH 31, 2017

INDEX

	Page
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING	1
INDEPENDENT AUDITOR'S REPORT	2
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	3
Consolidated Statement of Operations and Accumulated Surplus	4
Consolidated Statement of Changes in Net Debt	5
Consolidated Statement of Cash Flow	6
Notes to Consolidated Financial Statements	7 - 23

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 Fort Group Chartered Professional Accountants Inc. in accordance with Canadian generally accepted auditing standards on behalf of the members. Fort Group Chartered Professional Accountants 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, 2017, 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.

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, these financial statements present fairly, in all material respects, the financial position of Pinaymootang First Nation as at March 31, 2017, and its results of operations, changes in net financial assets and cash flow for the year then ended in accordance with Canadian public sector accounting standards.

Fort Group
CHARTERED PROFESSIONAL
ACCOUNTANTS INC.

Winnipeg, Manitoba
October 16, 2017

Your Foundation for the Future.

2.

PINAYMOOTANG FIRST NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2017

	2017	2016
FINANCIAL ASSETS		
Cash (Note 3)	\$ 3,013,596	1,160,605
Trust funds held by the federal government (Note 4)	11,648	11,020
Accounts receivable (Note 5)	125,766	90,368
Due from government and other government organizations (Note 6)	866,441	479,779
Inventories for resale (Note 7)	<u>72,380</u>	<u>63,622</u>
	<u>4,089,831</u>	<u>1,805,394</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 8)	3,441,969	2,725,755
Due to government and other governmental organizations (Note 9)	328,116	396,990
Demand loans (Note 10)	5,016,656	3,311,000
Deferred revenue (Note 11)	3,046,156	1,727,043
Long-term debt (Note 12)	6,483,206	6,690,340
CMHC forgivable loans (Note 13)	<u>102,860</u>	<u>123,820</u>
	<u>18,418,963</u>	<u>14,974,948</u>
NET DEBT	<u>(14,329,132)</u>	<u>(13,169,554)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 15)	51,114,727	50,698,344
Prepaid expenses and deferred charges	<u>209,621</u>	<u>83,148</u>
	<u>51,324,348</u>	<u>50,781,492</u>
ACCUMULATED SURPLUS	<u>\$ 36,995,216</u>	<u>37,611,938</u>

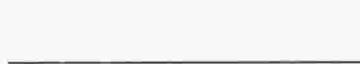
APPROVED BY THE FIRST NATION:


 Brian Sanderson Chief

 Andy Anderson Councillor

 Patrick Anderson Councillor

 Kim Ah Councillor


 Bryan Sanderson Councillor

 Bryan Sanderson Councillor

PINAYMOOTANG FIRST NATION
CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
YEAR ENDED MARCH 31, 2017

	2017		2016
	Budget (Note 18)	Actual	Actual
REVENUE			
Federal government transfers for operating (Note 17)	\$ 12,428,046	12,405,674	10,280,564
Federal government transfers for capital (Note 17)	1,631,954	1,698,897	1,033,161
Provincial government transfers for operating (Note 17)	41,520	225,452	248,040
Provincial government transfers for capital (Note 17)	-	35,141	-
Economic activities	8,654,000	9,162,786	7,966,793
Other revenue	<u>394,178</u>	<u>676,840</u>	<u>265,096</u>
	<u><u>23,149,698</u></u>	<u><u>24,204,790</u></u>	<u><u>19,793,654</u></u>
EXPENSES			
Health	2,967,092	2,900,402	1,989,002
Education	3,006,130	3,477,078	2,866,672
Social services	2,921,998	2,953,116	3,187,982
Economic development	826,598	888,127	599,006
Public works	453,748	487,464	540,720
Housing	262,494	230,244	121,616
Band government	2,610,753	2,505,894	2,241,851
Private enterprises	8,348,002	9,490,138	8,396,166
Elimination adjustments	-	(476,732)	(432,488)
Interest	119,000	223,470	141,485
Amortization of tangible capital assets	<u>6,000</u>	<u>2,142,311</u>	<u>2,043,555</u>
	<u><u>21,521,815</u></u>	<u><u>24,821,512</u></u>	<u><u>21,695,567</u></u>
ANNUAL SURPLUS (DEFICIT)	\$ 1,627,883	(616,722)	(1,901,913)
ACCUMULATED SURPLUS, BEGINNING OF YEAR,	\$ 37,611,938	37,611,938	39,513,851
ANNUAL SURPLUS (DEFICIT)	<u>1,627,883</u>	<u>(616,722)</u>	<u>(1,901,913)</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 39,239,821</u>	<u>36,995,216</u>	<u>37,611,938</u>

PINAYMOOTANG FIRST NATION
CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT
YEAR ENDED MARCH 31, 2017

	<u>Budget</u>	<u>2017 Actual</u>	<u>2016 Actual</u>
ANNUAL SURPLUS (DEFICIT)	\$ 1,627,883	(616,722)	(1,901,913)
Tangible capital assets			
Acquisition of tangible capital assets	-	(6,016,793)	(4,158,166)
Amortization of tangible capital assets	-	2,142,311	2,043,555
Assets under construction completed	-	3,345,161	-
Loss on disposal of tangible capital assets	-	112,938	186,417
	-	(416,383)	(1,928,194)
Other non-financial assets			
Consumption (acquisition) of prepaid expenses	-	(126,473)	103,351
DECREASE (INCREASE) IN NET DEBT	1,627,883	(1,159,578)	(3,726,756)
NET DEBT, BEGINNING OF YEAR	(13,169,554)	(13,169,554)	(9,442,798)
NET DEBT, END OF YEAR	\$ (11,541,671)	(14,329,132)	(13,169,554)

PINAYMOOTANG FIRST NATION
CONSOLIDATED STATEMENT OF CASH FLOW
YEAR ENDED MARCH 31, 2017

	2017	2016
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Annual deficit	\$ (616,722)	(1,901,913)
Add back non-cash item(s):		
Amortization of tangible capital assets	2,142,311	2,043,555
Loss on disposal of capital assets	<u>112,938</u>	<u>186,417</u>
	1,638,527	328,059
Change in non-cash working capital:		
Accounts receivable	(35,398)	29,590
Due from government and other government organizations	(386,662)	115,281
Inventories for resale	(8,758)	27,821
Accounts payable and accrued liabilities	716,214	250,458
Due to government and other governmental organizations	(68,874)	80,514
Deferred revenue	1,319,113	1,144,724
CMHC forgivable loans	(20,960)	(21,745)
Prepaid expenses and deferred charges	<u>(126,473)</u>	<u>103,351</u>
	3,026,729	2,058,053
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(6,016,793)	(4,158,166)
Assets under construction completed	<u>3,345,161</u>	-
	(2,671,632)	(4,158,166)
FINANCING ACTIVITIES		
Demand loan advances	1,705,656	3,311,000
Long-term debt advances	598,642	841,215
Long-term debt repayments	<u>(805,776)</u>	<u>(698,888)</u>
	1,498,522	3,453,327
INCREASE IN CASH	1,853,619	1,353,214
CASH, BEGINNING OF YEAR	<u>1,171,625</u>	<u>(181,589)</u>
CASH, END OF YEAR	<u>\$ 3,025,244</u>	<u>1,171,625</u>
CASH IS REPRESENTED BY:		
Cash	\$ 3,013,596	1,160,605
Cash in Ottawa Trusts	<u>11,648</u>	<u>11,020</u>
	<u>\$ 3,025,244</u>	<u>1,171,625</u>

PINAYMOOTANG FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The Pinaymootang First Nation ("First Nation") follows the INAC accounting guidelines as set out in the "Year End Reporting Handbook for funding agreements covering fiscal year 2016-2017" 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

The 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. The 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
Pinaymootang First Nation Motel and Entertainment 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, 2017

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.

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, 2017

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

Pinaymootang Motel and Entertainment Centre

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, 2017

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, 2017, the First Nation has a bank balance of \$3,013,596 and a net debt position of \$14,329,132. Management of the First Nation are working to reduce the debt through careful management of expenditures. Additionally, \$11,499,862 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

	2017	2016
Unrestricted - operating	\$ 3,009,956	1,156,673
Externally restricted - CMHC	<u>3,640</u>	<u>3,932</u>
	<u><u>\$ 3,013,596</u></u>	<u><u>1,160,605</u></u>

The First Nation has a demand line of credit for \$150,000 (2016 - \$150,000) available from First Nations Bank of Canada, of which \$126,420 (2016 - \$149,274) 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, 2017

3. CASH (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, 2017, \$3,640 (2016 - \$3,932) was restricted for expenditures to be approved by CMHC.

4. TRUST FUNDS HELD BY THE FEDERAL GOVERNMENT

	<u>March 31, 2016</u>	<u>Additions 2017</u>	<u>Withdrawals 2017</u>	<u>March 31, 2017</u>
Revenue	\$ 10,878	628	-	11,506
Capital	<u>142</u>	<u>-</u>	<u>-</u>	<u>142</u>
	<u>\$ 11,020</u>	<u>628</u>	<u>-</u>	<u>11,648</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>2017</u>	<u>2016</u>
Due from members	\$ 10,189	25,840
Other	<u>115,577</u>	<u>64,528</u>
	<u>\$ 125,766</u>	<u>90,368</u>

6. DUE FROM GOVERNMENT AND OTHER GOVERNMENT ORGANIZATIONS

	<u>2017</u>	<u>2016</u>
Federal government		
INAC (Schedule 63)	\$ 684,024	421,863
CMHC	9,301	9,301
Health Canada	<u>51,471</u>	<u>1,471</u>
Total Federal government	<u>744,796</u>	<u>432,635</u>
Provincial government	<u>121,645</u>	<u>47,144</u>
	<u>\$ 866,441</u>	<u>479,779</u>

7. INVENTORIES FOR RESALE

	<u>2017</u>	<u>2016</u>
Pinaymootang First Nation Grocery Store and Gas Bar	\$ 41,564	36,253
Powderhorn Creek	<u>30,816</u>	<u>27,369</u>
	<u>\$ 72,380</u>	<u>63,622</u>

PINAYMOOTANG FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	<u>2017</u>	<u>2016</u>
Trade payables	\$ 1,193,804	737,134
Accrued salaries and benefits	264,712	177,527
Accrued legal settlements	1,200,000	1,200,000
Accrued hydro	117,947	187,064
Accrued professional fees	471,470	187,686
Other accrued liabilities	<u>194,036</u>	<u>236,344</u>
	<u><u>\$ 3,441,969</u></u>	<u><u>2,725,755</u></u>
9. DUE TO GOVERNMENT AND OTHER GOVERNMENT ORGANIZATIONS	<u>2017</u>	<u>2016</u>
INAC		
Debt management #567	\$ -	18,775
Debt management #789	227,189	227,189
Debt management #793	-	50,099
2016/17 Equipment	74,600	-
2011/12 Band operated school direct services	5,232	5,232
2014/15 Basic needs	5,914	5,914
Excess funding accrued as repayable	<u>15,181</u>	<u>89,781</u>
	<u><u>\$ 328,116</u></u>	<u><u>396,990</u></u>
10. DEMAND LOANS	<u>2017</u>	<u>2016</u>
BMO demand loan, interest at BMO's prime rate plus 1.25%, repayable in blended monthly installments of \$14,444 for a 15 year amortization period commencing June 1, 2017. Secured by assignment of insurance and a Band Council Resolution.	\$ 2,600,000	2,600,000
BMO demand loan, interest at BMO's prime rate plus 1.25%, repayable in blended monthly installments of \$13,426 for a 5 year amortization period commencing June 1, 2017. Secured by assignment of insurance and a Band Council Resolution.	<u>2,416,656</u>	<u>711,000</u>
	<u><u>\$ 5,016,656</u></u>	<u><u>3,311,000</u></u>

PINAYMOOTANG FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017

11. DEFERRED REVENUE

	<u>Balance March 31, 2016</u>	<u>Funding Received 2017</u>	<u>Revenue Recognized/ Repaid 2017</u>	<u>Balance March 31, 2017</u>
Federal Government				
Health Canada	\$ 1,300,384	1,265,000	185,883	2,379,501
INAC				
Major renovations (NTKC)	-	799,918	561,018	238,900
Planning, Design and Construction (08681 Contribution)	63,273	-	-	63,273
Recovery (NTR3)	349,357	-	-	349,357
Capital Planning (NTKB-003)	799	-	-	799
Negotiations (NGBA)	13,230	233,879	233,457	13,652
Prepaid deposits - private enterprise	-	674	-	674
	<u>\$ 1,727,043</u>	<u>2,299,471</u>	<u>980,358</u>	<u>3,046,156</u>

12. LONG-TERM DEBT

	2017	2016
Peace Hills Trust Mortgage payable, interest at 3.75%, repayable in blended monthly installments of \$5,557, due September 1, 2019, secured by a Ministerial Guarantee, CMHC undertaking to insure and assignment of fire insurance.	\$ 162,196	219,230
CMHC mortgage payable, interest at 1.62%, repayable in blended monthly installments of \$5,234, due March 1, 2018, secured by a Ministerial Guarantee, CMHC undertaking to insure and assignment of fire insurance.	885,113	938,474
CMHC mortgage payable, interest at 1.62%, repayable in blended monthly installments of \$7,261, due March 1, 2018, secured by a Ministerial Guarantee, CMHC undertaking to insure and assignment of fire insurance.	1,288,744	1,366,438
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.	450,847	475,905
CMHC mortgage payable, interest at 1.11%, repayable in blended monthly installments of \$4,676, due April 1, 2021, secured by a Ministerial Guarantee and assignment of fire insurance.	822,474	865,515
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.	596,144	624,025
Sub total	<u>4,205,518</u>	<u>4,489,587</u>

PINAYMOOTANG FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017

12. LONG-TERM DEBT (Continued)	2017	2016
Sub total	\$ 4,205,518	4,489,587
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.	529,625	551,800
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.	542,193	567,327
Loan payable, First Nations Bank, interest at prime plus 2.05%, repayable in monthly principal payments of \$9,722, due August 1, 2018, secured by a promissory note signed by the Band, a general security agreement, assignment of insurance and a Band Council Resolution.	165,278	281,944
Loan payable, First Nations Bank, interest at prime plus 2.05%, repayable in monthly principal payments of \$3,445, due November 1, 2020, secured by a promissory note signed by the Band, a general security agreement, assignment of insurance and a Band Council Resolution.	151,586	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.	75,069	92,782
Loan payable, Tribal Wi-Chi-Way-Win Capital Corporation, interest at 11%, repayable in blended monthly installments of \$6,000, matured August 1, 2016.	-	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.	-	567,327
Loan payable, Manitoba Lotteries Corporation, interest at 2.35%, repayable in weekly installments of \$9,857, due July 7, 2020, secured by 15 video lottery terminals.	158,461	-
Loan payable, Manitoba Lotteries Corporation, interest at 2.35%, repayable in weekly installments of \$1,393, due October 26, 2023, secured by 25 video lottery terminals.	440,181	-
Loan payable, Manitoba Lotteries Corporation, interest at 2.35%, repayable in blended weekly installments of \$446, due June 19, 2020, secured by 8 video lottery terminals.	71,695	174,257
Loan payable, Manitoba Lotteries Corporation, interest at 2.35%, repayable in blended weekly installments of \$893, due June 10, 2020, secured by 12 video lottery terminals.	143,600	310,243
	<u>\$ 6,483,206</u>	<u>6,690,340</u>

**PINAYMOOTANG FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017**

12. LONG-TERM DEBT (Continued)

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

March 31,	2018	\$ 615,536
	2019	571,882
	2020	500,991
	2021	402,754
	2022	343,575
	Thereafter	<u>4,048,468</u>

\$ 6,483,206

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, no new RRAP loans were received (2016 - \$8,700) and \$20,960 (2016 - \$30,445) 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 \$173,198 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 lawsuit.

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.

During the 2017 fiscal year, 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
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017**

14. CONTINGENT LIABILITY (Continued)

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, 2017

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 2017	Total 2016
Tangible Capital Assets										
Land	\$ 233,146	-	-	233,146	-	-	-	-	233,146	233,146
Buildings	20,027,430	4,929,451	-	24,956,881	10,675,745	545,556	-	11,221,301	13,735,580	9,351,685
Housing	36,672,445	-	(122,160)	36,550,285	14,296,925	806,342	(25,959)	15,077,308	21,472,977	22,375,520
Infrastructure	10,474,619	51,616	-	10,526,235	1,379,682	250,269	-	1,629,951	8,896,284	9,094,937
Equipment	2,861,284	508,441	-	3,369,725	2,164,301	191,626	-	2,355,927	1,013,798	696,983
Vehicles	2,969,068	270,339	(55,790)	3,183,617	1,707,236	210,592	(39,053)	1,878,775	1,304,842	1,261,832
Computers	277,237	-	-	277,237	239,602	18,396	-	257,998	19,239	37,635
Roads	5,714,261	-	-	5,714,261	1,414,279	119,530	-	1,533,809	4,180,452	4,299,982
	<u>79,229,490</u>	<u>5,759,847</u>	<u>(177,950)</u>	<u>84,811,387</u>	<u>31,877,770</u>	<u>2,142,311</u>	<u>(65,012)</u>	<u>33,955,069</u>	<u>50,856,318</u>	<u>47,351,720</u>
Assets Under Construction										
Buildings	<u>3,346,624</u>	<u>256,946</u>	<u>(3,345,161)</u>	<u>258,409</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>258,409</u>	<u>3,346,624</u>
TOTAL	\$82,576,114	6,016,793	(3,523,111)	85,069,796	31,877,770	2,142,311	(65,012)	33,955,069	51,114,727	50,698,344

PINAYMOOTANG FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017

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, 2017, the replacement reserve was underfunded by \$523,509 (2016 - \$465,223) due to the fact that the replacement reserve assets total \$1,832 (2016 - \$2,025) while the replacement reserve liability is \$525,341 (2016 - \$467,248).

17. GOVERNMENT TRANSFERS

	<u>2017</u>		<u>Total</u>
	<u>Operating</u>	<u>Capital</u>	
Indigenous and Northern Affairs Canada	\$ 8,265,004	1,381,583	9,646,587
Province of Manitoba	225,452	35,141	260,593
Canada Mortgage and Housing Corporation	332,129	20,960	353,089
Health Canada	3,020,177	296,354	3,316,531
First Peoples Development	767,547	-	767,547
Manitoba First Nation Education Resource Centre	<u>20,817</u>	<u>-</u>	<u>20,817</u>
	<u><u>\$ 12,631,126</u></u>	<u><u>1,734,038</u></u>	<u><u>14,365,164</u></u>
	<u>2016</u>		<u>Total</u>
	<u>Operating</u>	<u>Capital</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	338,983	30,445	369,428
Health Canada	1,980,507	132,013	2,112,520
First Peoples Development	694,612	-	694,612
Manitoba First Nation Education Resource Centre	<u>38,632</u>	<u>-</u>	<u>38,632</u>
	<u><u>\$ 10,528,604</u></u>	<u><u>1,033,161</u></u>	<u><u>11,561,765</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, 2017

19. EXPENSES BY OBJECT

	<u>2017</u>	<u>2016</u>
Accreditation	\$ 39,721	36,805
Administration and office	422,590	460,976
Amortization	2,142,311	2,043,555
Bad debts	15,100	-
Band support	314,473	287,899
Bank charges and interest	56,669	82,194
Capital and equipment	278,432	74,545
Contract fees and services	777,651	190,516
Fuel	194,294	152,002
Fuel for resale	2,739,333	2,382,655
Insurance	355,295	238,525
Interest on long-term debt	223,470	141,485
Loss on disposal of tangible capital assets	112,938	147,401
Operations and maintenance	497,244	685,717
Other expenses	377,490	398,659
Professional fees	479,282	158,696
Rental expenditures	48,052	-
Repayable (recoveries)	-	5,914
Social assistance	2,445,406	2,843,902
Supplies and materials	1,881,403	1,449,003
Telephone and communications	95,282	90,951
Training	317,984	391,602
Travel	407,090	474,825
Utilities	239,766	177,946
VLT dollars out	3,796,189	3,410,206
Wages and benefits	<u>6,564,047</u>	<u>5,369,588</u>
	<u>\$ 24,821,512</u>	<u>21,695,567</u>

20. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to reflect the financial statement presentation adopted for the current year.

PINAYMOOTANG FIRST NATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017

21. SEGMENTED INFORMATION

	HEALTH			EDUCATION			SOCIAL		
	Budget 2017	2017	2016	Budget 2017	2017	2016	Budget 2017	2017	2016
REVENUES									
Federal Government									
Operating Transfers	\$ 2,983,873	3,020,177	1,980,507	\$ 3,592,345	3,583,162	2,898,440	2,918,698	2,946,979	2,994,595
Capital Transfers	110,471	296,354	132,013	-	-	-	-	-	-
Provincial Government									
Operating Transfers	-	-	-	-	-	-	-	-	-
Capital Transfers	-	-	-	-	-	-	-	-	-
Economic Activities									
Other	15,514	19,528	26,569	-	13,000	69,147	-	-	-
	<u>3,109,858</u>	<u>3,336,059</u>	<u>2,139,089</u>	<u>3,592,345</u>	<u>3,596,162</u>	<u>2,967,587</u>	<u>2,918,698</u>	<u>2,946,979</u>	<u>2,994,595</u>
EXPENSES									
Wages and benefits	984,909	1,165,612	1,068,181	2,273,000	2,774,281	2,228,475	217,902	224,265	132,492
Debt servicing	-	-	-	-	8,270	2,718	-	-	-
Amortization	-	121,440	87,646	-	221,760	219,876	-	-	-
Other	1,982,183	1,734,790	920,821	733,130	702,797	638,197	2,704,096	2,728,851	3,055,490
	<u>2,967,092</u>	<u>3,021,842</u>	<u>2,076,648</u>	<u>3,006,130</u>	<u>3,707,108</u>	<u>3,089,266</u>	<u>2,921,998</u>	<u>2,953,116</u>	<u>3,187,982</u>
ANNUAL SURPLUS (DEFICIT)	\$ 142,766	314,217	62,441	\$ 586,215	(110,946)	(121,679)	(3,300)	(6,137)	(193,387)
ADJUSTMENTS									

- (i) The imputed value of Band supported housing provided to band members totaling \$298,062 (2016 - \$292,858) 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; \$164,068 (2016 - \$102,368) 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; \$14,602 (2016 - \$37,262) Band Government.

PINAYMOOTANG FIRST NATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017

21. SEGMENTED INFORMATION

	ECONOMIC DEVELOPMENT			PUBLIC WORKS			HOUSING		
	Budget 2017	2017	2016	Budget 2017	2017	2016	Budget 2017	2017	2016
REVENUES									
Federal Government									
Operating Transfers	883,515	905,439	617,825	412,228	412,228	489,379	427,266	330,221	338,983
Capital Transfers	-	-	-	-	-	-	-	-	-
Provincial Government									
Operating Transfers	-	-	-	41,520	58,006	41,552	-	-	-
Capital Transfers	-	-	-	-	-	-	-	-	-
Economic Activities	-	-	-	-	-	-	-	-	-
Other	-	25,383	2,500	-	19,110	-	280,864	690,166	295,262
	883,515	930,822	620,325	453,748	489,344	530,931	708,130	1,020,387	634,245
EXPENSES									
Wages and benefits	245,112	281,285	137,459	296,830	274,242	290,106	-	6,583	7,691
Debt servicing	-	-	-	-	-	-	-	84,481	106,514
Amortization	-	11,560	11,370	-	98,026	108,017	-	761,945	761,227
Other	581,486	606,842	461,547	156,918	213,222	250,614	262,494	223,661	113,925
	826,598	899,687	610,376	453,748	585,490	648,737	262,494	1,076,670	989,357
ANNUAL SURPLUS (DEFICIT)	56,917	31,135	9,949	-	(96,146)	(117,806)	445,636	(56,283)	(355,112)

PINAYMOOTANG FIRST NATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017

21. SEGMENTED INFORMATION

	BAND GOVERNMENT			PRIVATE ENTERPRISE			ADJUSTMENTS		
	Budget 2017	2017	2016	Budget 2017	2017	2016	Budget 2017	2017	2016
REVENUES									
Federal Government									
Operating Transfers	1,012,919	1,014,405	753,254	197,202	193,063	207,581	-	-	-
Capital Transfers	1,521,483	1,402,543	901,148	-	-	-	-	-	-
Provincial Government									
Operating Transfers	-	167,446	206,488	-	-	-	-	-	-
Capital Transfers	-	-	-	-	35,141	-	-	-	-
Economic Activities	-	-	-	8,654,000	9,177,388	8,004,055	-	(14,602)	(37,262)
Other	-	213,440	163,055	97,800	158,343	103,789	-	(462,130)	(395,226)
	<u>2,534,402</u>	<u>2,797,834</u>	<u>2,023,945</u>	<u>8,949,002</u>	<u>9,563,935</u>	<u>8,315,425</u>	<u>-</u>	<u>(476,732)</u>	<u>(432,488)</u>
EXPENSES									
Wages and benefits	483,080	704,683	596,589	1,069,980	1,133,096	908,595	-	-	-
Debt servicing	-	18,436	8,313	119,000	112,283	23,940	-	-	-
Amortization	-	602,413	600,496	6,000	325,167	254,923	-	-	-
Other	<u>2,127,673</u>	<u>1,801,211</u>	<u>1,645,262</u>	<u>7,278,022</u>	<u>8,357,042</u>	<u>7,487,571</u>	<u>-</u>	<u>(476,732)</u>	<u>(432,488)</u>
	<u>2,610,753</u>	<u>3,126,743</u>	<u>2,850,660</u>	<u>8,473,002</u>	<u>9,927,588</u>	<u>8,675,029</u>	<u>-</u>	<u>(476,732)</u>	<u>(432,488)</u>
ANNUAL SURPLUS (DEFICIT)	(76,351)	(328,909)	(826,715)	476,000	(363,653)	(359,604)	-	-	-

PINAYMOOTANG FIRST NATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017

21. SEGMENTED INFORMATION

	CONSOLIDATED TOTAL		
	Budget 2017	2017	2016
REVENUES			
Federal Government			
Operating Transfers	12,428,046	12,405,674	10,280,564
Capital Transfers	1,631,954	1,698,897	1,033,161
Provincial Government			
Operating Transfers	41,520	225,452	248,040
Capital Transfers	-	35,141	-
Economic Activities	8,654,000	9,162,786	7,966,793
Other	394,178	676,840	265,096
	<u>23,149,698</u>	<u>24,204,790</u>	<u>19,793,654</u>
EXPENSES			
Wages and benefits	5,570,813	6,564,047	5,369,588
Debt servicing	119,000	223,470	141,485
Amortization	6,000	2,142,311	2,043,555
Other	15,826,002	15,891,684	14,140,939
	<u>21,521,815</u>	<u>24,821,512</u>	<u>21,695,567</u>
ANNUAL SURPLUS (DEFICIT)	<u>1,627,883</u>	<u>(616,722)</u>	<u>(1,901,913)</u>