

**EBB AND FLOW FIRST NATION
Consolidated Financial Statements
Year Ended March 31, 2016**

EBB AND FLOW FIRST NATION
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Year Ended March 31, 2016

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements of Ebb and Flow First Nation have been prepared in accordance with Canadian public sector accounting standards. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. These statements include certain amounts based on management's estimates and judgments. Management has determined such amounts based on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

The integrity and reliability of Ebb and Flow First Nation's reporting systems are achieved through the use of formal policies and procedures, the careful selection of employees and an appropriate division of responsibilities. These systems are designed to provide reasonable assurance that the financial information is reliable and accurate.

Chief and Council is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements. Chief and Council meets periodically with management and the organization's auditors to review significant accounting, reporting and internal control matters. Following its review of the financial statements and discussions with the auditors, Chief and Council approves the financial statements. Chief and Council also approves the engagement or re-appointment of the external auditors.

The consolidated financial statements have been audited on behalf of the members by Lazer Grant LLP, in accordance with Canadian public sector accounting standards.



Ebb and Flow, MB

INDEPENDENT AUDITOR'S REPORT

To the Members of Ebb and Flow First Nation

We have audited the accompanying consolidated financial statements of Ebb and Flow First Nation, which comprise the consolidated statement of financial position as at March 31, 2016 and the consolidated statements of operations, changes in net financial debt, changes in accumulated surplus and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Ebb and Flow First Nation as at March 31, 2016 and the results of its operations and its cash flow for the year then ended in accordance with Canadian public sector accounting standards.

The consolidated financial statements for the year ended March 31, 2015 were audited by another accounting firm and are presented for comparative purposes only.

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Independent Auditor's Report to the Members of Ebb and Flow First Nation *(continued)*

Jaser Grant LLP

Winnipeg, MB
January 26, 2017

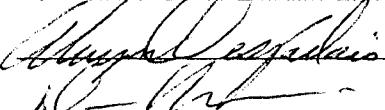
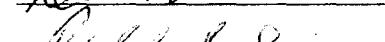
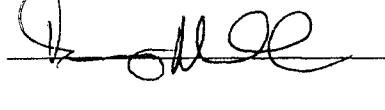
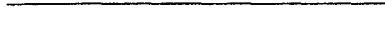
CHARTERED PROFESSIONAL ACCOUNTANTS

EBB AND FLOW FIRST NATION
Consolidated Statement of Financial Position
March 31, 2016

	2016	2015 (Restated)
FINANCIAL ASSETS		
Restricted cash (Notes 4, 20)	\$ 2,656,947	\$ 25
Marketable securities (Note 5)	4,144,116	50,285
Accounts receivable (Note 6)	1,544,688	718,278
Loans receivable (Note 7)	3,150,000	-
Ottawa trust funds (Note 8)	25,718	24,352
	11,521,469	792,940
LIABILITIES		
Bank indebtedness	923,740	973,427
Accounts payable and accrued liabilities (Note 9)	1,749,882	2,597,666
Deferred revenue (Note 10)	185,753	-
Long term debt (Note 11)	28,591,669	14,107,136
Obligations under capital lease (Note 12)	253,099	-
Moveable assets reserve (Note 13)	116,125	97,936
	31,820,268	17,776,165
NET FINANCIAL DEBT	(20,298,799)	(16,983,225)
NON-FINANCIAL ASSETS		
Inventory (Note 14)	300,796	295,758
Prepaid expenses (Note 15)	1,308,194	998,672
Deferred finance charges (Note 16)	315,874	471,312
Capital assets (Note 17)	36,961,332	37,077,520
	38,886,196	38,843,262
ACCUMULATED SURPLUS	\$ 18,587,397	\$ 21,860,037

CONTINGENT LIABILITY (Note 18)

ON BEHALF OF THE MEMBERS

 <i>Chief</i>  <i>Councillor</i>  <i>Councillor</i>	 <i>Councillor</i>  <i>Councillor</i>  <i>Councillor</i>
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EBB AND FLOW FIRST NATION
Consolidated Statement of Operations
Year Ended March 31, 2016

	Budget (Unaudited)	2016	2015 (Restated)
REVENUES			
Indigenous and Northern Affairs Canada	\$ 10,824,005	\$ 11,084,410	\$ 12,903,855
Canada Mortgage and Housing Corporation	121,097	685,009	715,621
First People Development Inc.	612,030	613,030	612,030
First Peoples Economic Growth Fund	-	313,720	96,000
Health Canada	1,961,607	2,177,739	2,013,608
Province of Manitoba	988,400	1,493,147	1,221,462
Frontier School Division	1,093,158	1,093,158	1,169,872
Gas and groceries	4,000,000	4,098,602	3,943,655
VLT proceeds	1,000,000	1,405,680	1,016,772
Tobacco sales	540,000	527,292	533,098
Rent	106,556	95,168	51,123
Golf course	-	498,267	-
Restaurant sales	435,000	480,209	440,226
Miscellaneous	311,978	732,207	1,351,544
ATM fees	60,000	140,062	48,166
Equipment rental	-	77,000	-
Parent Fees	57,000	61,225	98,765
Fundraising	-	39,239	39,225
Interest	-	24,749	1,123
Prior year recoveries	-	(110,405)	(103,629)
Transfer to (from) operating reserve	-	(215,770)	50,627
Gains (losses) on disposal of assets	-	(35,844)	-
	22,110,831	25,277,894	26,203,143
EXPENSES (Schedule 1)	22,081,651	25,833,419	23,401,153
SURPLUS (DEFICIT) BEFORE AMORTIZATION	29,180	(555,525)	2,801,990
AMORTIZATION			
Amortization of capital assets	-	2,486,778	2,608,162
Amortization of community engagement	-	250,000	-
	-	2,736,778	2,608,162
ANNUAL SURPLUS (DEFICIT)	\$ 29,180	\$ (3,292,303)	\$ 193,828

EBB AND FLOW FIRST NATION
Consolidated Statement of Changes in Accumulated Surplus
Year Ended March 31, 2016

	2016	2015
	(Restated)	
ACCUMULATED SURPLUS - BEGINNING OF YEAR		
As previously reported	\$ 21,670,932	\$ 22,302,859
Prior period adjustments (Note 19)	<u>189,105</u>	<u>(437,653)</u>
As restated	21,860,037	21,865,206
SURPLUS (DEFICIT) FOR THE YEAR	(3,292,303)	193,828
	18,567,734	22,059,034
Replacement reserve transactions	<u>19,663</u>	<u>(198,997)</u>
ACCUMULATED SURPLUS - END OF YEAR	\$ 18,587,397	\$ 21,860,037

EBB AND FLOW FIRST NATION
Consolidated Statement of Changes in Net Financial Debt
Year Ended March 31, 2016

	2016	2015 (Restated)
ANNUAL SURPLUS (DEFICIT)	\$ (3,292,303)	\$ 193,828
Amortization of capital assets	2,486,778	2,608,161
Purchase of capital assets	(2,957,276)	(1,349,282)
Proceeds on disposal of capital assets	550,842	-
Loss on disposal of assets	35,844	-
Increase in prepaid expenses	(309,523)	(890,119)
Increase in inventory	(5,037)	(126,539)
Decrease in deferred finance charges	155,438	150,438
Replacement reserve transactions	19,663	(198,997)
	(23,271)	193,662
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(3,315,574)	387,490
Net financial debt - beginning of year	(16,983,225)	(17,370,715)
NET FINANCIAL DEBT - END OF YEAR	\$ (20,298,799)	\$ (16,983,225)

EBB AND FLOW FIRST NATION
Consolidated Statement of Cash Flow
Year Ended March 31, 2016

	2016	2015 (Restated)
OPERATING ACTIVITIES		
Annual surplus (deficit)	\$ (3,292,303)	\$ 193,828
Items not affecting cash:		
Amortization of capital assets	2,486,778	2,608,162
Loss on disposal of capital assets	35,844	-
	(769,681)	2,801,990
Changes in non-cash working capital:		
Accounts receivable	(826,410)	177,253
Inventory	(5,038)	(126,538)
Accounts payable and accrued liabilities	(847,785)	(588,826)
Deferred revenue	185,753	(150,000)
Prepaid expenses	(309,522)	(890,119)
	(1,803,002)	(1,578,230)
Cash flow from (used by) operating activities	(2,572,683)	1,223,760
INVESTING ACTIVITIES		
Purchase of capital assets	(2,957,276)	(1,349,282)
Proceeds on disposal of capital assets	550,842	-
Additions to loans and notes receivable	(3,150,000)	-
Proceeds from sale (purchase) of marketable securities	(4,093,831)	40,719
Decrease (increase) in restricted cash	(2,656,922)	20
Decrease in deferred finance charges	155,438	150,438
Increase in Ottawa trust funds	(1,366)	(1,694)
Cash flow used by investing activities	(12,153,115)	(1,159,799)
FINANCING ACTIVITIES		
Replacement reserve transactions	19,663	(198,997)
Advances from related parties	-	(11,260)
Increase in moveable assets reserve	18,189	56,699
Net increase in obligations under capital lease	253,099	-
Proceeds from long term financing	20,920,129	897,500
Repayment of long term debt	(6,435,595)	(1,610,657)
Cash flow from (used by) financing activities	14,775,485	(866,715)
INCREASE (DECREASE) IN CASH	49,687	(802,754)
Deficiency - beginning of year	(973,427)	(170,673)
DEFICIENCY - END OF YEAR	\$ (923,740)	\$ (973,427)

EBB AND FLOW FIRST NATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2016

1. DESCRIPTION OF THE ORGANIZATION

The Ebb and Flow First Nation is a non-profit Indian Band as defined by The Indian Act (Canada). The objective of the First Nation is to operate as the governing entity in providing services in all areas of the community.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The consolidated financial statements were prepared in accordance with Canadian public sector accounting standards.

Measurement uncertainty

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Inventory

Inventory is valued at the lower of cost and net realizable value with the cost being determined on a first-in, first-out basis.

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EBB AND FLOW FIRST NATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital assets

Capital assets are stated at cost or deemed cost less accumulated amortization. Capital assets are amortized over their estimated useful lives at the following rates and methods:

Buildings	30-40 years	straight-line method
CMHC housing		annual principle reduction
Computer equipment	3 years	straight-line method
Environmental infrastructure	40 years	straight-line method
Equipment	5 years	straight-line method
Furniture and fixtures	5 years	straight-line method
Motor vehicles	5 years	straight-line method
Roads and street lights	40 years	straight-line method

The organization regularly reviews its capital assets to eliminate obsolete items.

Capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

Capital assets acquired under Canada Mortgage and Housing Corporation (CMHC) sponsored housing projects are amortized at a rate equivalent to the annual principal reduction in related long term debt, as required for CMHC reporting purposes.

Revenue recognition

Revenue from government agencies is recognized as it becomes receivable under the terms of applicable funding agreements.

Rent revenue is recognized when the tenants' rent is invoiced at the start of each month based on the details of each signed lease agreement.

Other revenues are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Leases

Leases are classified as either capital or operating leases. At the time the organization enters into a capital lease, an asset is recorded with its related long-term obligation to reflect the acquisition and financing. Rental payments under operating leases are expensed as incurred.

EBB AND FLOW FIRST NATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2016

3. FINANCIAL INSTRUMENTS

The organization is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the organization's risk exposure and concentration as of March 31, 2016.

(a) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The organization is exposed to credit risk from customers. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The organization has a significant number of customers which minimizes concentration of credit risk.

(b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed to this risk mainly in respect of its receipt of funds from its customers and other related sources, bank indebtedness, deferred revenue, long-term debt, obligations under capital leases, moveable assets reserve, and accounts payable and accrued liabilities.

(c) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the organization manages exposure through its normal operating and financing activities. The organization is exposed to interest rate risk primarily through its floating interest rate bank indebtedness and credit facilities.

EBB AND FLOW FIRST NATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2016

4. RESTRICTED CASH

Under the terms of the agreement with Canada Mortgage and Housing Corporation (CMHC), Replacement Reserve funds 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.

	2016	2015
Replacement Reserve		
Replacement reserve bank	\$ 19,932	\$ 25
Replacement reserve guaranteed investment certificates	1,242,694	-
	1,262,626	25

The following funds are on deposit as required by the financing agreement with First Nations Finance Authority:

	2016	2015
First Nations Finance Authority		
Debt reserve fund	743,965	-
Debt reserve fund	135,844	-
Secured revenues trust account	514,512	-
	1,394,321	-
	\$ 2,656,947	\$ 25

5. MARKETABLE SECURITIES

	2016	2015
RBC Guaranteed investment certificates	\$ 4,093,831	\$ -
RBC Money market funds	49,603	49,603
RBC Money market funds	682	682
	\$ 4,144,116	\$ 50,285

EBB AND FLOW FIRST NATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2016

6. ACCOUNTS RECEIVABLE

	2016	2015
Canada Mortgage and Housing Corporation	\$ 548,118	\$ 32,617
First People's Economic Growth Fund	250,000	-
Goods and services tax	3,243	-
Health Canada	60,000	4,000
Indigenous and Northern Affairs Canada		
- Asbestos rebate	10,530	-
- Tuition Agreement	71,626	96,500
- Business development	-	27,700
- Planning Design and Construction	-	200
- Recovery	-	215,592
- Response	-	94,368
- School Effectiveness	-	29,000
Other government agencies	91,897	97,869
Members	31,743	500
Other	477,531	119,932
	\$ 1,544,688	\$ 718,278

7. LOANS RECEIVABLE

	2016	2015
KIIKO Pimataka Limited Partnership, non-interest bearing, forgivable 90 days after borrower first distributes profit to lender.	\$ 150,000	\$ -
KIIKO Pimataka Limited Partnership, interest at 3.3% per annum, repayable in monthly blended payments of \$4,273. The loan matures on March 30, 2036.	750,000	-
KIIKO Pimataka Limited Partnership, interest at 3.3% per annum, repayable in monthly blended payments of \$12,820. The loan matures on March 30, 2036.	2,250,000	-
	\$ 3,150,000	\$ -

The organization's loans to KIIKO Pimataka Limited Partnership were for the purposes of carrying on business of a facility which will experiment on how to increase the Astaxanthin that is processed from algae, located in St. Francois Xavier.

The loans were advanced in September and October of 2015 and are secured by a general security agreement and a promissory note for the full value of the loans.

The organization shares interest in the partnership along with 7101236 Manitoba Ltd. (general partner) and Myera Nu-Agri-Nomics Group Canada Inc. The partnership had no development activity during the current year.

EBB AND FLOW FIRST NATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2016

8. OTTAWA TRUST FUNDS

The Ottawa Trust Accounts 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 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.

As at the end of the year, the funds held in trust consisted of the following balances:

	2016	2015
Capital account	\$ 502	\$ 502
Revenue account	<u>25,216</u>	23,850
	\$ 25,718	\$ 24,352

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2016	2015
Indigenous and Northern Affairs Canada	\$ 175,535	\$ 128,752
Trade and other	<u>1,523,326</u>	2,354,531
Source deductions	36,736	16,566
Wages and benefits	<u>14,285</u>	97,817
	\$ 1,749,882	\$ 2,597,666

10. DEFERRED REVENUE

Deferred revenue consists of golf course memberships at the Dauphin Lake Golf Resort and construction revenue.

EBB AND FLOW FIRST NATION

Notes to Consolidated Financial Statements

Year Ended March 31, 2016

11. LONG TERM DEBT

	2016	2015
Canada Mortgage and Housing Corporation loan bearing interest at 3.14% per annum, repayable in monthly blended payments of \$1,487. The loan matures on January 1, 2018 and is secured by a ministerial loan guarantee.	\$ 31,749	\$ 48,296
Scotiabank loan bearing interest at 4.55% per annum, repayable in monthly blended payments of \$1,479. The loan matures on February 1, 2017 and is secured by a ministerial loan guarantee.	66,086	80,373
Scotiabank loan bearing interest at 4.55% per annum, repayable in monthly blended payments of \$2,937. The loan matures on January 1, 2017 and is secured by a ministerial loan guarantee.	140,765	168,442
Scotiabank loan bearing interest at 5.29% per annum, repayable in monthly blended payments of \$7,391. The loan matures on February 1, 2017 and is secured by a ministerial loan guarantee.	84,535	166,437
Canada Mortgage and Housing Corporation loan bearing interest at 1.62% per annum, repayable in monthly blended payments of \$6,523. The loan matures on December 1, 2017 and is secured by a ministerial loan guarantee.	134,869	210,298
Peace Hills Trust loan bearing interest at 4.84% per annum, repayable in monthly blended payments of \$5,027. The loan matures on December 1, 2019 and is secured by a ministerial loan guarantee.	207,741	257,032
Scotiabank loan bearing interest at 5.29% per annum, repayable in monthly blended payments of \$3,056. The loan matures on February 1, 2017 and is secured by a ministerial loan guarantee.	100,749	131,265
Canada Mortgage and Housing Corporation loan bearing interest at 1.62% per annum, repayable in monthly blended payments of \$1,155. The loan matures on February 1, 2023 and is secured by a ministerial loan guarantee.	99,050	104,972
Canada Mortgage and Housing Corporation loan bearing interest at 1.64% per annum, repayable in monthly blended payments of \$1,941. The loan matures on December 1, 2026 and is secured by a ministerial loan guarantee.	243,888	252,683
Canada Mortgage and Housing Corporation loan bearing interest at 2.57% per annum, repayable in monthly blended payments of \$2,350. The loan matures on December 1, 2029 and is secured by a ministerial loan guarantee.	344,232	350,898
Canada Mortgage and Housing Corporation loan bearing interest at 1.64% per annum, repayable in monthly blended payments of \$6,061. The loan matures on December 1, 2031 and is secured by a ministerial loan guarantee.	1,054,391	1,077,105

(continues)

EBB AND FLOW FIRST NATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2016

11. LONG TERM DEBT (continued)

	2016	2015
Canada Mortgage and Housing Corporation loan bearing interest at 1.62% per annum, repayable in monthly blended payments of \$5,283. The loan matures on March 1, 2033 and is secured by a ministerial loan guarantee.	981,337	1,000,323
Canada Mortgage and Housing Corporation loan bearing interest at 1.53% per annum, repayable in monthly blended payments of \$3,449. The loan matures on November 1, 2032 and is secured by a ministerial loan guarantee.	634,410	647,475
Canada Mortgage and Housing Corporation loan bearing interest at 2.17% per annum, repayable in monthly blended payments of \$3,127. The loan matures on January 1, 2034 and is secured by a ministerial loan guarantee.	578,182	586,302
Canada Mortgage and Housing Corporation loan bearing interest at 2.14% per annum, repayable in monthly blended payments of \$7,178. The loan matures on March 3, 2034 and is secured by a ministerial loan guarantee.	1,339,899	1,358,655
Canada Mortgage and Housing Corporation loan bearing interest at 2.87% per annum, repayable in monthly blended payments of \$5,134. The loan matures on November 1, 2034 and is secured by a ministerial loan guarantee.	929,016	936,369
Canada Mortgage and Housing Corporation loan bearing interest at 2.65% per annum, repayable in monthly blended payments of \$3,369. The loan matures on February 1, 2035 and is secured by a ministerial loan guarantee.	626,531	632,230
Canada Mortgage and Housing Corporation loan bearing interest at 2.56% per annum, repayable in monthly blended payments of \$4,819. The loan matures on December 1, 2035 and is secured by a ministerial loan guarantee.	932,006	940,051
Canada Mortgage and Housing Corporation loan bearing interest at 2.97% per annum, repayable in monthly blended payments of \$5,234. The loan matures on March 1, 2036 and is secured by a ministerial loan guarantee.	986,103	991,533
First Nations Finance Authority interim financing loan bearing interest at 2.6% per annum, repayable in annual blended payments of \$765,392 beginning June 26, 2017. The loan matures on June 26, 2024 and is secured by other revenues regulations.	14,800,000	-
First Nations Finance Authority bond #1 loan bearing interest at 2.6% per annum, repayable in monthly blended payments of \$15,090. The loan matures on March 15, 2042 and is secured by other revenues regulations.	2,624,638	-

(continues)

EBB AND FLOW FIRST NATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2016

11. LONG TERM DEBT (continued)

	2016	2015
Catalyst Credit Union loan bearing interest at 5.926% per annum, repayable in monthly blended payments of \$1,425. The loan matures on August 31, 2024 and is secured by first charge on parcel A, B, and C, plan 28535 DLTO on NE 1/4 4-25-19W in the City of Dauphin.	113,870	123,897
Daimler Truck Financial loan bearing interest at 5.5% per annum, repayable in monthly blended payments of \$3,159. The loan matures on September 18, 2020 and is secured by 2015 and 2016 Freightliners school buses.	150,828	-
Royal Bank of Canada loan bearing interest at 6.9% per annum, repayable in monthly blended payments of \$599. The loan matures on September 11, 2020 and is secured by 2015 GMC Savana passenger van.	27,694	-
Communities Economic Development Fund loan bearing interest at 6% per annum, repayable in semi-annual blended payments of \$19,387 on July 1 and \$58,161 on October 1 and is secured by guarantee from Ebb and Flow First Nation supported by Band Council Resolution, real property mortgage over land and buildings, general security agreement and postponement and assignment agreement.	725,000	725,000
Catalyst Credit Union loan bearing interest at 4% per annum, repayable in monthly blended payments of \$1,000. The loan matures on December 18, 2034.	158,450	-
First Peoples Economic Growth Fund loan bearing interest at 6% per annum, repayable in monthly blended payments of \$1,379. The loan matures on October 1, 2025 and is secured by promissory note, guarantee from Ebb and Flow First Nation and general security agreement.	63,150	-
First Peoples Economic Growth Fund loan, non-interest bearing, repayable in monthly payments of \$5,000. The loan matures on October 1, 2025 and is secured by promissory note, guarantee from Ebb and Flow First Nation and general security agreement.	300,000	-
First Peoples Development Inc. loan, non-interest bearing, repayable in monthly payments of \$2,500. The loan matures on December 13, 2020 and is secured by inventory and equipment held by Ebb and Flow Gas & Grocery Store.	112,500	142,500
Bank of Montreal (Facility #2) repaid during the year.	-	1,875,000
Bank of Montreal (Facility #3) repaid during the year.	-	1,300,000
	\$ 28,591,669	\$ 14,107,136

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EBB AND FLOW FIRST NATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2016

11. LONG TERM DEBT (continued)

Principal repayment terms are approximately:

2017	\$ 1,212,648
2018	1,341,528
2019	1,281,973
2020	1,280,837
2021	1,207,304
Thereafter	<u>22,267,379</u>
	 <u>\$ 28,591,669</u>

Canada Mortgage and Housing Corporation (CMHC) mortgages have maturity dates of 25 years and call for renewal every 5 years. Since CMHC will in all likelihood renew each mortgage at the renewal date, the repayment schedule reflects repayment over the entire period of the mortgage.

12. OBLIGATIONS UNDER CAPITAL LEASE

	2016	2015
Mercado Capital lease bearing interest at 6.8% per annum, repayable in monthly blended payments of \$1,892. The lease matures on October 31, 2020 and is secured by specific equipment which has a carrying value of \$84,552.	\$ 86,412	\$ -
John Deere lease repayable in monthly payments of \$1,782. The lease matures on May 2, 2019 and is secured by specific equipment which has a carrying value of \$88,428.	67,715	-
John Deere lease repayable in monthly payments of \$1,379. The lease matures on December 23, 2016 and is secured by specific equipment which has a carrying value of \$13,240.	11,034	-
John Deere lease repayable in monthly payments of \$1,954. The lease matures on January 16, 2020 and is secured by specific equipment which has a carrying value of \$77,840.	87,938	-
	<hr/> \$ 253,099	<hr/> \$ -

Future minimum capital lease payments are approximately:

2017	\$ 78,567
2018	67,533
2019	67,533
2020	43,853
2021	<u>10,162</u>
Total minimum lease payments	267,648
Less: amount representing interest at various rates	<u>(14,549)</u>
	<u>\$ 253,099</u>

EBB AND FLOW FIRST NATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2016

13. MOVEABLE ASSETS RESERVE

Under the terms of the Health Services Block Funding Agreement the initial lump sum, interest, and annual amounts are to be placed in a reserve for the replacement of assets. Expenses for the replacement are to be charged to the reserve during the year.

As at March 31, 2016, the moveable asset reserve was underfunded by \$115,255 (2015 - \$97,936)

	2016	2015
Balance, beginning of year	\$ 97,936	\$ 56,699
Amount provided in agreement for MAR	<u>41,881</u>	<u>41,237</u>
Total	139,817	97,936
Revenues generated	-	-
Expenses (acquisitions and replacements)	(23,692)	-
Balance, end of year	\$ 116,125	\$ 97,936

14. INVENTORY

	2016	2015
Livestock Inventory	\$ 136,100	\$ 136,100
Tobacco	46,537	45,578
Bingo cards	2,724	4,652
Fuel	14,144	24,428
Groceries and supplies	101,291	85,000
	\$ 300,796	\$ 295,758

Included in supplies expense is an increase in inventory of \$5,038 (2015 - \$3,410)

15. PREPAID EXPENSES

	2016	2015
Myera projects - community engagement	\$ 500,000	\$ -
First Communications - tower construction	418,637	-
RV park construction	155,893	-
Insurance	26,031	17,797
Mid West Consulting - lender and work fee on Ness Avenue and Burnell Avenue	207,633	-
Deposit on golf course	-	890,000
Johnston and Company - purchase of golf course	-	50,000
Kinev Management - purchase of golf course	-	40,875
	\$ 1,308,194	\$ 998,672

EBB AND FLOW FIRST NATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2016

16. DEFERRED FINANCE CHARGES

In March of 2014, the First Nation received approval for \$10.8 million in financing from the Bank of Montreal through the services provided by a commercial loan broker. The approved credit facilities consist of: (i) \$7.0 million non-revolving demand loan for the purpose of financing the construction of a commercial building on-reserve., (ii) \$2.5 million non-revolving demand loan to consolidate existing long term debt, and (iii) \$1.3 million non-revolving demand loan to consolidate outstanding debts owed to various trade creditors.

The cost of securing these credit facilities totalled \$621,750 and is being amortized over the original terms of the demand loans.

	2016	2015
Deferred finance charges	\$ 310,874	\$ 466,312
Loan fees	5,000	5,000
	\$ 315,874	\$ 471,312

EBB AND FLOW FIRST NATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2016

17. CAPITAL ASSETS

Cost	2015 Balance	Additions	Disposals	2016 Balance
Band housing	\$ 1,176,178	\$ 542,342	\$ -	\$ 1,718,520
Buildings	47,643,973	873,250	-	48,517,223
CMHC housing	17,836,301	-	1,507,073	16,329,228
Computer equipment	100,724	10,046	2,914	107,856
Environmental infrastructure	5,737,251	-	-	5,737,251
Equipment	2,458,944	300,678	101,500	2,658,122
Equipment under capital lease	-	330,075	-	330,075
Land and land improvements	2,280,166	542,429	-	2,822,595
Leasehold improvements	19,406	-	-	19,406
Office furniture and equipment	621,549	22,351	-	643,900
Roads and street lights	3,334,887	-	-	3,334,887
Vehicles	1,152,967	336,105	55,430	1,433,642
	\$ 82,362,346	\$ 2,957,276	\$ 1,666,917	\$ 83,652,705

Accumulated Amortization	2015 Balance	Amortization	Accumulated Amortization on Disposals	2016 Balance
Band housing	\$ 947,502	\$ 42,963	\$ -	\$ 990,465
Buildings	29,866,937	1,219,784	-	31,086,721
CMHC housing	5,844,782	383,236	964,731	5,263,287
Computer equipment	99,724	3,276	2,914	100,086
Environmental infrastructure	2,967,707	143,431	-	3,111,138
Equipment	2,126,116	386,715	101,500	2,411,331
Equipment under capital lease	-	66,015	-	66,015
Land and land improvements	-	-	-	-
Leasehold improvements	19,406	-	-	19,406
Office furniture and equipment	556,539	19,026	-	575,565
Roads and street lights	2,037,302	83,372	-	2,120,674
Vehicles	818,811	138,960	11,086	946,685
	\$ 45,284,826	\$ 2,486,778	\$ 1,080,231	\$ 46,691,373

Net book value	2016	2015
Band housing	\$ 728,055	\$ 228,676
Buildings	17,430,502	17,777,036
CMHC housing	11,065,941	11,991,519
Computer equipment	7,770	1,000
Environmental infrastructure	2,626,113	2,769,544
Equipment	246,791	332,828
Equipment under capital lease	264,060	-
Land and land improvements	2,822,595	2,280,166
Office furniture and equipment	68,335	65,010
Roads and street lights	1,214,213	1,297,585
Vehicles	486,957	334,156
	\$ 36,961,332	\$ 37,077,520

EBB AND FLOW FIRST NATION**Notes to Consolidated Financial Statements****Year Ended March 31, 2016****18. CONTINGENT LIABILITY**

The organization is contingently liable for loans from Canada Mortgage and Housing Corporation under the RRAP program. Since each loan is forgiven (usually over a 4 or 5 year period) no liability has been recorded in the these statements for these loans.

19. PRIOR PERIOD ADJUSTMENTS

As a result of Canada Mortgage and Housing Corporation's annual review, certain revenue, expenses and replacement reserve amounts have been adjusted and accordingly, the comparative figures have been restated

	2016	2015
Adjustment to replacement reserve allocation Pre-1997	\$ 6,561	\$ -
Adjustment to CMHC subsidies Post-1996	(1,308)	-
Maturing unit adjustment - replacement reserve Pre-1997	93,125	-
Maturing unit adjustment - net assets Pre-1997	40,100	40,100
Adjustment to operating reserve Post-1996	50,627	(359,803)
Adjustment to opening replacement reserve Pre-1997	-	(117,950)
	\$ 189,105	\$ (437,653)

EBB AND FLOW FIRST NATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2016

20. REPLACEMENT RESERVES

Under the terms of the agreement with Canada Mortgage and Housing Corporation (CMHC), the replacement reserve account is to be credited with an amount of \$173,889 (2015 - \$177,249) 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. Withdrawals are credited to interest first and then principal.

As at March 31, 2016, the Replacement Reserve Fund bank account had a balance of \$1,262,626 (2015 - \$25) and was overfunded \$3,947 (2015 - under funded by \$1,258,800).

Surplus revenue from Post-1996 projects is to be retained by the organization within an operating reserve fund and interest earned must accrue to and be maintained in the operating reserve fund. Funds may be withdrawn to cover current operating deficits.

As at March 31, 2016, the Operating Reserve bank account had a balance of \$Nil (2015 - \$Nil) and was underfunded by \$524,946 (2015 - \$309,176).

	Operating	Pre-1997 Replacement	Post-1996 Replacement	2016	2015
Balance, beginning					
of year	\$ 309,176	\$ 449,522	\$ 809,303	\$ 1,568,001	\$ 1,589,749
Interest earned	-	7,882	14,190	22,072	-
Annual allocation	-	29,689	144,200	173,889	177,249
Expenses	-	(41,865)	(154,241)	(196,106)	(105,872)
Maturing unit adjustment	-	-	-	-	(93,125)
Post-1996 operating surplus	215,770	-	-	215,770	-
	\$ 524,946	\$ 445,228	\$ 813,452	\$ 1,783,626	\$ 1,568,001

21. RECONCILIATION OF INDIGENOUS AND NORTHERN AFFAIRS CANADA REVENUES

	2016	2015
Indigenous and Northern Affairs Canada per financial statements	\$ 11,084,410	\$ 12,903,855
Indigenous and Northern Affairs Canada per confirmation	\$ 11,084,410	\$ 12,903,855

22. ECONOMIC DEPENDENCE

The organization receives substantially all of its revenues from government sources.

23. COMPARATIVE FIGURES

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

EBB AND FLOW FIRST NATION
Consolidated Expenses (Schedule 1)

Year Ended March 31, 2016

	Budget (Unaudited)	2016	2015 (Restated)
Administration	\$ 109,566	\$ 17,231	\$ -
Advertising and promotion	14,100	73,807	18,865
Band member support	330,750	287,221	189,171
Basic needs	2,412,000	2,576,142	2,535,486
Business taxes and licences	-	16,089	-
Community events	-	179,704	139,242
Delivery, freight and express	-	3,844	4,550
Donations	-	13,875	25,110
Equipment rentals	-	36,145	18,715
Fuel	79,900	79,606	144,555
Gas and grocery purchases	3,700,000	3,914,448	3,658,719
Honorariums	358,670	415,652	439,577
Insurance	125,726	267,091	81,854
Interest and bank charges	43,401	130,099	88,930
Interest on long term debt	13,200	895,247	658,015
Manitoba Lotteries commissions and fees	170,000	273,875	171,116
Memberships	1,000	13,962	5,332
Moveable asset reserve allocation	-	41,881	41,237
Office and miscellaneous	280,323	143,267	115,804
Private home placement	-	6,375	14,875
Professional fees	257,600	607,541	709,009
Projects and programs	398,232	185,653	93,051
Rent	506,172	93,252	70,679
Repairs and maintenance	985,075	1,317,350	561,541
Restaurant and food supplies	225,000	253,656	233,998
School activities	43,000	50,410	97,571
Special needs	111,379	109,989	114,428
Student allowances	585,261	350,033	351,301
Student incentives	36,552	28,700	27,944
Sub-contracts	113,631	514,513	320,274
Supplies	716,379	1,442,442	1,064,932
Telephone	95,300	108,065	124,533
Training and workshops	172,364	526,170	498,454
Travel	369,861	597,813	573,069
Tuition	455,280	379,618	342,102
Utilities	1,030,656	988,894	1,037,569
Vehicle	170,614	153,502	203,065
Wages and employee benefits	8,170,659	8,740,257	8,626,480
	\$ 22,081,651	\$ 25,833,419	\$ 23,401,153

EBB AND FLOW FIRST NATION
Consolidated Segment Disclosure (Schedule 2)
Year Ended March 31, 2016

Segmented information presents the revenues generated and expenses incurred by major revenue type and main object of expense for the organization's distinguishable programs or activities.

The segment results for the period are as follows:

	Band Administration & Governance		Maintenance & Infrastructure		Social Assistance		Education		Housing		Health		Business Enterprises		Consolidated		
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	
Revenues																	
Federal government	\$ 898,517	\$ 1,329,575	\$ 1,081,273	\$ 2,311,277	\$ 4,007,907	\$ 4,049,584	\$ 4,972,308	\$ 5,095,790	\$ 685,009	\$ 715,621	\$ 2,191,739	\$ 2,027,608	\$ -	\$ -	\$ 13,836,753	\$ 15,529,455	
Provincial government	21,156	-	-	-	94,328	98,582	-	-	-	-	-	-	1,377,663	1,122,880	1,493,147	1,221,462	
Economic activities	-	-	-	-	-	-	-	-	-	-	-	-	7,227,112	5,981,917	7,227,112	5,981,917	
Other revenue	1,026,824	1,471,296	183,847	316,349	-	1,229	1,154,604	1,235,839	(193,698)	167,562	92,146	133,369	457,158	144,665	2,720,882	3,470,309	
	1,946,497	2,800,871	1,265,120	2,627,626	4,102,235	4,149,395	6,126,912	6,331,629	491,311	883,183	2,283,885	2,160,977	9,061,933	7,249,462	25,277,894	26,203,143	
Expenses																	
Wages and benefits	1,122,055	1,471,246	488,063	573,601	201,591	180,513	4,163,414	4,016,796	118,019	108,051	1,227,558	1,235,516	1,419,557	1,040,757	8,740,257	8,626,480	
Debt servicing	54,308	30,890	33	-	8,471	10,736	30,269	16,081	244,306	301,582	5,170	8,888	662,789	378,768	1,025,346	746,945	
Amortization	250,000	-	1,810,890	1,521,753	-	-	81,561	57,203	426,199	972,291	53,453	45,547	114,676	11,368	2,736,778	2,608,162	
Other expenses	1,046,666	1,304,757	1,139,748	918,289	3,446,050	3,425,050	1,891,551	1,741,950	675,321	324,327	992,954	879,933	6,875,529	5,433,422	16,067,816	14,027,728	
	2,473,029	2,806,893	3,438,734	3,013,643	3,656,112	3,616,299	6,166,795	5,832,030	1,463,845	1,706,251	2,279,135	2,169,884	9,092,551	6,864,315	28,570,197	26,009,315	
Annual surplus (deficit)	\$ (526,532)	\$ (6,022)	\$ (2,173,614)	\$ (386,017)	\$ 446,123	\$ 533,096	\$ (39,883)	\$ 499,599	\$ (972,534)	\$ (823,068)	\$ 4,750	\$ (8,907)	\$ (30,618)	\$ 385,147	\$ (3,292,303)	\$ 193,828	