

EBB AND FLOW FIRST NATION
Consolidated Financial Statements
Year Ended March 31, 2018

EBB AND FLOW FIRST NATION
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Year Ended March 31, 2018

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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 of 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, 2018 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 the 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 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 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 qualified audit opinion.

Basis for Qualified Opinion

The organization's loans receivable from KIIKO Pimataka Limited Partnership are carried at \$3,504,423 on the organization's balance sheet as at March 31, 2018. Due to the nature of the loans receivable, we were not able to satisfy ourselves as to its fair value. As a result, we were unable to determine whether any adjustments were necessary in respect of the organization's carrying value of the loans receivable.

(continues)

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

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section, the consolidated financial statements present fairly, in all material respects, the financial position of Ebb and Flow First Nation as at March 31, 2018 and the results of its operations and its cash flow for the year then ended in accordance with Canadian public sector accounting standards.

Lazer Grant LLP

Winnipeg, MB
February 12, 2019

CHARTERED PROFESSIONAL ACCOUNTANTS

EBB AND FLOW FIRST NATION
Consolidated Statement of Financial Position
March 31, 2018

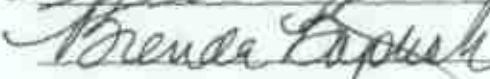
	2018	2017
FINANCIAL ASSETS		
Marketable securities (Note 4)	\$ 50,736	\$ 50,488
Restricted cash (Note 5)	1,096,190	1,837,229
Accounts receivable (Note 6)	881,623	629,368
Loans receivable (Note 7)	3,504,423	3,110,643
Ottawa trust funds (Note 8)	28,540	27,074
	5,561,512	5,654,802
LIABILITIES		
Bank indebtedness (Note 9)	718,995	1,304,460
Accounts payable and accrued liabilities (Note 10)	1,752,093	1,681,249
Deferred revenue	-	33,407
Long term debt (Note 11)	28,154,663	27,523,595
Obligations under capital lease (Note 12)	52,337	187,998
Moveable assets reserve (Note 13)	195,427	159,028
	30,873,515	30,889,737
NET FINANCIAL DEBT	(25,312,003)	(25,234,935)
NON-FINANCIAL ASSETS		
Inventory (Note 14)	282,013	279,783
Prepaid expenses (Note 15)	36,030	286,172
Deferred finance charges	5,000	5,000
Tangible capital assets (Note 16)	34,468,286	36,842,607
	34,791,329	37,413,562
ACCUMULATED SURPLUS	\$ 9,479,326	\$ 12,178,627

CONTINGENT LIABILITY (Note 18)

ON BEHALF OF COUNCIL

 Chief

 Councillor

 Councillor

_____ Councillor

_____ Councillor

EBB AND FLOW FIRST NATION
Consolidated Statement of Operations
Year Ended March 31, 2018

	Budget (Unaudited) 2018	2018	2017
REVENUES			
Indigenous Services Canada	\$ 11,536,353	\$ 13,347,275	\$ 12,442,734
First Nations & Inuit Health Branch	3,046,079	3,086,066	2,813,922
Canada Mortgage and Housing Corporation	99,804	792,648	837,223
First Peoples Development Inc.	648,954	708,013	624,130
Province of Manitoba	1,200,400	974,084	1,135,881
Frontier School Division	984,031	806,188	764,904
Manitoba Hydro	-	216,477	229,718
Rent	110,556	46,900	23,165
Gas and groceries	4,000,000	4,214,216	4,136,950
VLT proceeds	1,000,000	1,460,105	1,506,856
Tobacco sales	540,000	495,013	569,046
ATM fees	60,000	38,818	73,036
Restaurant sales	435,000	505,912	507,875
Golf course	-	474,171	410,453
Construction	-	-	397,361
Interest	-	134,697	114,595
Fundraising	-	47,899	51,172
Parent fees	41,150	10,255	75,760
Miscellaneous	308,098	656,973	718,922
Prior year recoveries	-	(12,600)	-
	24,010,425	28,003,110	27,433,703
EXPENSES (Schedule 1)	23,101,235	28,045,640	27,912,398
SURPLUS (DEFICIT) FROM OPERATIONS	909,190	(42,530)	(478,695)
OTHER EXPENSES (INCOME)			
Amortization	-	2,594,152	2,980,853
Community engagement	-	250,000	250,000
Write down of loans receivable	-	-	2,654,486
Loss on disposal of tangible capital assets	-	-	19,823
Transfer from operating reserve (Note 17)	-	-	(363,808)
	-	2,844,152	5,541,354
ANNUAL SURPLUS (DEFICIT)	\$ 909,190	\$ (2,886,682)	\$ (6,020,049)

EBB AND FLOW FIRST NATION
Consolidated Statement of Changes in Accumulated Surplus
Year Ended March 31, 2018

	2018	2017
ACCUMULATED SURPLUS - BEGINNING OF YEAR	\$ 12,178,627	\$ 18,587,397
ANNUAL DEFICIT	(2,886,682)	(6,020,049)
Replacement reserve transactions <i>(Note 17)</i>	187,381	(388,721)
ACCUMULATED SURPLUS - END OF YEAR	\$ 9,479,326	\$ 12,178,627

EBB AND FLOW FIRST NATION
Consolidated Statement of Changes in Net Financial Debt
Year Ended March 31, 2018

	2018	2017
ANNUAL DEFICIT	\$ (2,886,682)	\$ (6,020,049)
Amortization of tangible capital assets	2,594,152	2,980,853
Purchase of tangible capital assets	(452,434)	(3,270,545)
Proceeds on disposal of tangible capital assets	232,604	388,592
Loss on disposal of assets	-	19,823
Decrease in prepaid expenses	250,141	1,022,021
Decrease (increase) in inventory	(2,230)	21,013
Decrease in deferred finance charges	-	310,874
Replacement reserve transactions	187,381	(388,721)
	2,809,614	1,083,910
INCREASE IN NET FINANCIAL DEBT	(77,068)	(4,936,139)
NET FINANCIAL DEBT - BEGINNING OF YEAR	(25,234,935)	(20,298,796)
NET FINANCIAL DEBT - END OF YEAR	\$ (25,312,003)	\$ (25,234,935)

EBB AND FLOW FIRST NATION
Consolidated Statement of Cash Flow
Year Ended March 31, 2018

	2018	2017
OPERATING ACTIVITIES		
Annual deficit	\$ (2,886,682)	\$ (6,020,049)
Items not affecting cash:		
Amortization	2,594,152	2,980,853
Loss on disposal of tangible capital assets	-	19,823
	(292,530)	(3,019,373)
Changes in non-cash working capital:		
Accounts receivable	(252,255)	915,420
Inventory	(2,230)	21,013
Accounts payable and accrued liabilities	70,845	(68,731)
Deferred revenue	(33,407)	(152,346)
Prepaid expenses	250,142	1,022,022
	33,095	1,737,378
Cash flow from (used by) operating activities	(259,435)	(1,281,995)
INVESTING ACTIVITIES		
Purchase of tangible capital assets	(452,434)	(3,270,545)
Proceeds on disposal of tangible capital assets	232,604	388,592
Repayment of loans receivable	-	137,017
Addition to loans receivable	(393,780)	(97,660)
Proceeds from sale (purchase) of marketable securities	(248)	4,093,629
Decrease in restricted cash	741,039	819,718
Decrease in deferred finance charges	-	310,874
Increase in Ottawa trust funds	(1,466)	(1,356)
Cash flow from investing activities	125,715	2,380,269
FINANCING ACTIVITIES		
Replacement reserve transactions	187,381	(388,721)
Increase in moveable assets reserve	36,399	42,903
Proceeds from long term financing	2,349,597	906,110
Repayment of long term debt	(1,718,530)	(1,974,186)
Repayment of obligations under capital lease	(135,662)	(65,100)
Cash flow from (used by) financing activities	719,185	(1,478,994)
INCREASE (DECREASE) IN CASH	585,465	(380,720)
Deficiency - beginning of year	(1,304,460)	(923,740)
DEFICIENCY - END OF YEAR	\$ (718,995)	\$ (1,304,460)

1. DESCRIPTION OF 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.

Basis of consolidation

The consolidated financial statements include the accounts of the organization and its controlled entities. As a result, figures as at March 31, 2018 or for the years then ended include the financial position of those controlled entities and the results of their operations for the years then ended. The results of operations of the controlled entities are included in the consolidated financial statements from the respective dates of acquisition or incorporation.

These consolidated financial statements include the assets, liabilities, revenues and expenses of the following controlled entities:

- Ebb and Flow Band Administration & Operations
- Ebb and Flow Education Authority
- Ebb and Flow Social Assistance
- Ebb and Flow Health Authority Inc.
- Ebb and Flow Housing Authority
- Ebb and Flow ATM & Tobacco Shop
- Ebb and Flow Gaming
- Ebb and Flow Gas and Grocery Store
- Ebb and Flow VLT Operations
- Ebb and Flow Investment Group Inc.
- Ebb and Flow Construction
- First Communications Inc.
- 7363185 Manitoba Ltd.

Measurement uncertainty

The preparation of 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.

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EBB AND FLOW FIRST NATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2018

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

Inventory

Inventory of goods for resale is valued at the lower of cost and net realizable value with the cost being determined on a first-in, first-out basis. Inventory of livestock is valued at the lower of cost and net realizable value with the cost being determined by specific identification.

Tangible capital assets

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

Buildings	30-40 years	straight-line method
Band housing	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
Equipment under capital lease	5 years	straight-line method
Furniture and fixtures	5 years	straight-line method
Leasehold improvements	5 years	straight-line method
Office furniture and equipment	5 years	straight-line method
Roads and street lights	40 years	straight-line method
Vehicles	5 years	straight-line method

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

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

Tangible 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.

Revenue from the sale of products is recognized at the time of the sale when title passes to the customer.

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, 2018

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, 2018.

(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, loans receivable, bank indebtedness, 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.

4. MARKETABLE SECURITIES

	2018	2017
RBC Money market funds	\$ 50,048	\$ 49,803
RBC Money market funds	688	685
	\$ 50,736	\$ 50,488

EBB AND FLOW FIRST NATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2018

5. 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.

	2018	2017
Replacement Reserve		
Replacement reserve bank	\$ 12,823	\$ 468,013
The following funds are on deposit as required by the financing agreement with First Nations Finance Authority:		
First Nations Finance Authority		
Debt reserve fund	107,172	-
Debt reserve fund	140,903	137,724
Debt reserve fund	765,318	748,054
Secured revenues trust account	69,974	483,438
	1,083,367	1,369,216
	\$ 1,096,190	\$ 1,837,229

6. ACCOUNTS RECEIVABLE

	2018	2017
Indigenous Services Canada		
- Culture & Recreation	\$ 104,966	\$ 145,000
- LEDSP - EcDev	50,822	-
- Community Flood Housing	200,000	-
- Education Planning Design and Construction < \$1.5M	-	2,360
- Tuition Agreement	-	10,000
First Nations & Inuit Health Branch	-	43,755
Canada Mortgage and Housing Corporation	117,828	47,777
First People's Development Inc.	142,937	-
Other government agencies	60,121	19,460
Members	44,712	87,476
Trade and other	161,158	273,540
Subtotal	882,544	629,368
Allowance for doubtful accounts	(921)	-
	\$ 881,623	\$ 629,368

EBB AND FLOW FIRST NATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2018

7. LOANS RECEIVABLE

	2018	2017
KIIKO Pimataka Limited Partnership loan receivable, non-interest bearing, forgivable 90 days after borrower first distributes profit to lender.	\$ 150,000	\$ 150,000
KIIKO Pimataka Limited Partnership loan receivable bearing interest at 3.3% per annum, repayable in monthly blended payments of \$4,273. The loan matures on March 30, 2036 and is secured by Band Council Resolution, promissory note, and general security agreement.	797,860	774,415
KIIKO Pimataka Limited Partnership loan receivable bearing interest at 3.3% per annum, repayable in monthly blended payments of \$12,820. The loan matures on March 30, 2036 and is secured by Band Council Resolution, promissory note, and general security agreement.	2,256,563	2,186,228
KIIKO Pimataka Limited Partnership advance receivable, non-interest bearing, with no specified terms of repayment.	300,000	-
	\$ 3,504,423	\$ 3,110,643

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 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.

The loans are currently in arrears in the amount of \$273,229 (2017 - \$68,106). There have been no payments received since August 2016 to the date of these financial statements. In addition, several covenants have not been fulfilled. Ebb and Flow First Nation has waived these defaults and has granted extensions on repayments.

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:

	2018	2017
Capital account	\$ 502	\$ 502
Revenue account	28,038	26,572
	\$ 28,540	\$ 27,074

EBB AND FLOW FIRST NATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2018

9. BANK INDEBTEDNESS

The organization has a line of credit with the Bank of Montreal in the amount of \$800,000 unmargined, which is repayable on demand, bears interest at the Bank of Montreal prime rate plus 2%, and is secured by a general security agreement and Band Council Resolution. As at March 31, 2018, the balance of the line of credit was \$793,145 (2017 - \$1,003,720).

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2018	2017
Indigenous Services Canada	\$ -	\$ 128,752
Trade and other	1,594,471	1,511,344
Wages and benefits	14,451	38,328
Source deductions	120,894	2,825
Goods and services tax	22,277	-
	\$ 1,752,093	\$ 1,681,249

11. LONG TERM DEBT

	2018	2017
Scotiabank loan bearing interest at 4.75% per annum, repayable in monthly blended payments of \$2,877. The loan matures on January 1, 2019 and is secured by a ministerial loan guarantee.	\$ 81,285	\$ 121,374
Canada Mortgage and Housing Corporation loan bearing interest at 1.5% per annum, repayable in monthly blended payments of \$2,580. The loan matures on February 1, 2019 and is secured by a ministerial loan guarantee.	28,177	-
Peace Hills Trust loan bearing interest at 4.84% per annum, repayable in monthly blended payments of \$4,954. The loan matures on December 1, 2019 and is secured by a ministerial loan guarantee.	102,892	156,254
Scotiabank loan bearing interest at 4.75% per annum, repayable in monthly blended payments of \$2,683. The loan matures on August 1, 2018 and is secured by a ministerial loan guarantee.	36,212	79,494
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.	65,491	78,185
Canada Mortgage and Housing Corporation loan bearing interest at 1.35% per annum, repayable in monthly blended payments of \$1,914. The loan matures on December 1, 2026 and is secured by a ministerial loan guarantee.	189,525	209,750

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EBB AND FLOW FIRST NATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2018

11. LONG TERM DEBT *(continued)*

	2018	2017
Canada Mortgage and Housing Corporation loan bearing interest at 1.14% per annum, repayable in monthly blended payments of \$2,143. The loan matures on December 1, 2029 and is secured by a ministerial loan guarantee.	282,695	305,056
Canada Mortgage and Housing Corporation loan bearing interest at 2.39% per annum, repayable in monthly blended payments of \$3,663. The loan matures on November 1, 2032 and is secured by a ministerial loan guarantee.	543,727	576,407
Canada Mortgage and Housing Corporation loan bearing interest at 1.35% per annum, repayable in monthly blended payments of \$5,938. The loan matures on December 1, 2031 and is secured by a ministerial loan guarantee.	894,012	952,591
Canada Mortgage and Housing Corporation loan bearing interest at 1.14% per annum, repayable in monthly blended payments of \$6,596. The loan matures on March 3, 2034 and is secured by a ministerial loan guarantee.	1,157,302	1,222,882
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.	844,102	893,437
Canada Mortgage and Housing Corporation loan bearing interest at 1.14% per annum, repayable in monthly blended payments of \$2,869. The loan matures on January 1, 2034 and is secured by a ministerial loan guarantee.	498,619	527,199
Canada Mortgage and Housing Corporation loan bearing interest at 1.14% per annum, repayable in monthly blended payments of \$4,423. The loan matures on November 1, 2034 and is secured by a ministerial loan guarantee.	805,376	849,017
Canada Mortgage and Housing Corporation loan bearing interest at 1.14% per annum, repayable in monthly blended payments of \$2,950. The loan matures on February 1, 2035 and is secured by a ministerial loan guarantee.	544,549	573,578
Canada Mortgage and Housing Corporation loan bearing interest at 1.14% per annum, repayable in monthly blended payments of \$4,229. The loan matures on December 1, 2035 and is secured by a ministerial loan guarantee.	815,320	856,541
Canada Mortgage and Housing Corporation loan bearing interest at 1.14% per annum, repayable in monthly blended payments of \$4,421. The loan matures on March 1, 2036 and is secured by a ministerial loan guarantee.	863,195	906,167

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EBB AND FLOW FIRST NATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2018

11. LONG TERM DEBT *(continued)*

	2018	2017
First Nations Finance Authority bond # 1 loan bearing interest at 2.6% per annum, repayable in annual blended payments of \$15,090 beginning June 26, 2017. The loan matures on March 15, 2042 and is secured by other revenues regulations.	2,416,070	2,521,895
First Nations Finance Authority Interim Financing bond #2 loan bearing interest at 2.6% per annum, repayable in monthly blended payments of \$81,666. The loan matures on June 26, 2024 and is secured by other revenues regulations.	13,823,720	14,386,906
First Nations Finance Authority bond # 3 loan bearing interest at 3.41% per annum, repayable in monthly blended payments of \$12,516. The loan matures on December 1, 2027 and is secured by other revenues regulations.	2,079,875	-
Brandt Finance loan bearing interest at 8.5% per annum, repayable in monthly blended payments of \$111,575. The loan matures on April 15, 2018 and is secured by conditional sales contract.	102,514	196,703
Bank of Montreal loan bearing interest at Bank of Montreal prime rate plus 2% per annum, repayable in monthly blended payments of \$4,167. The loan matures on May 31, 2019 and is secured by Band Council resolution.	158,333	-
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.	88,369	120,456
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.	16,449	22,267
First Peoples Development Inc. loan, non-interest bearing, repayable in monthly payments of \$2,500. The loan matures on December 31, 2020 and is secured by inventory and equipment held by Ebb and Flow Gas & Grocery Store.	52,500	82,500
Communities Economic Development Fund loan bearing interest bearing at 6% per annum, repayable in semi-annual blended payments of \$19,387 July 1 and \$58,161 October 1. The loan matures on July 1, 2020 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.	589,403	645,564
Catalyst Credit Union loan bearing interest at 4% per annum, repayable in annual blended payments of \$1,000. The loan matures on December 18, 2034 and is unsecured.	148,032	156,083

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EBB AND FLOW FIRST NATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2018

11. LONG TERM DEBT *(continued)*

	2018	2017
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.	56,919	56,693
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.	270,000	270,000
Jack Pine Ranch Ltd., William Gary Lowry, and Janice Maureen Lowry loan bearing interest at 5% per annum, repayable in annual interest only payments of \$30,000. The loan matures on June 15, 2021 and is secured by land and building.	600,000	600,000
Scotiabank loan bearing interest at 4.55% per annum, repayable in monthly blended payments of \$7,391. The loan matured on May 1, 2017 and was secured by a ministerial loan guarantee. The loan was repaid during the year.	-	27,490
Scotiabank loan bearing interest at 6.45% per annum, repayable in monthly blended payments of \$1,479. The loan matured on September 1, 2017 and was secured by a ministerial loan guarantee. The loan was repaid during the year.	-	56,109
Canada Mortgage and Housing Corporation loan bearing interest at 1.62% per annum, repayable in monthly blended payments of \$6,541. The loan matured on December 1, 2017 and was secured by a ministerial loan guarantee. The loan was repaid during the year.	-	58,330
Canada Mortgage and Housing Corporation loan bearing interest at 3.14% per annum, repayable in monthly blended payments of \$1,488. The loan matured on January 1, 2018 and was secured by a ministerial loan guarantee. The loan was repaid during the year.	-	14,667
	\$ 28,154,663	\$ 27,523,595

(continues)

EBB AND FLOW FIRST NATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2018

11. LONG TERM DEBT *(continued)*

Principal repayment terms are approximately:

2019	\$ 1,626,872
2020	1,469,994
2021	1,368,425
2022	1,897,045
2023	1,297,413
Thereafter	<u>20,494,914</u>
	<u>\$ 28,154,663</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

	2018	2017
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 \$44,214.	\$ 52,337	\$ 69,186
John Deere lease, non-interest bearing, repayable in monthly blended payments of \$1,782. The lease matures on May 2, 2019 and is secured by specific equipment which has a carrying value of \$42,276. The lease was repaid during the year.	-	46,332
John Deere lease, non-interest bearing, repayable in monthly blended payments of \$1,954. The lease matures on January 16, 2020 and is secured by specific equipment which has a carrying value of \$38,920. The lease was repaid during the year.	-	72,480
	<u>\$ 52,337</u>	<u>\$ 187,998</u>

Future minimum capital lease payments are approximately:

2019	\$ 22,700
2020	22,700
2021	<u>12,049</u>
Total minimum lease payments	57,449
Less: amount representing interest at various rates	<u>(5,112)</u>
	<u>\$ 52,337</u>

EBB AND FLOW FIRST NATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2018

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, 2018, the moveable assets reserve bank account had a balance of \$562 (2017 - \$726) and was underfunded by \$194,865 (2017 - \$158,302).

	2018	2017
Balance, beginning of year	\$ 159,028	\$ 116,125
Amount provided in agreement for MAR	44,190	42,903
Total	203,218	159,028
Revenues generated	-	-
Expenses (acquisitions and replacements)	(7,791)	-
Balance, end of year	\$ 195,427	\$ 159,028

14. INVENTORY

	2018	2017
Livestock	\$ 136,100	\$ 136,100
Groceries and supplies	91,196	88,950
Tobacco	43,226	43,226
Fuel	9,966	9,966
Bingo cards	1,525	1,541
	\$ 282,013	\$ 279,783

Included in supplies expense is an increase in inventory of \$2,230 (2017 - decrease of \$21,013)

15. PREPAID EXPENSES

	2018	2017
Insurance	\$ 36,030	\$ 36,172
Myera projects - community engagement	-	250,000
	\$ 36,030	\$ 286,172

EBB AND FLOW FIRST NATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2018

16. TANGIBLE CAPITAL ASSETS

Cost	2017 Balance	Additions	Disposals	2018 Balance
Buildings	\$ 48,737,275	\$ -	\$ -	\$ 48,737,275
Band housing	2,107,112	232,604	-	2,339,716
CMHC housing	14,928,562	-	1,468,009	13,460,553
Computer equipment	107,855	-	36,391	71,464
Environmental infrastructure	5,737,251	-	-	5,737,251
Equipment	4,118,818	14,000	-	4,132,818
Equipment under capital lease	330,075	-	-	330,075
Land and land improvements	3,722,595	-	-	3,722,595
Leasehold improvements	19,406	-	-	19,406
Office furniture and equipment	661,133	-	-	661,133
Roads and street lights	3,334,887	-	-	3,334,887
Vehicles	1,651,148	205,830	-	1,856,978
	\$ 85,456,117	\$ 452,434	\$ 1,504,400	\$ 84,404,151

Accumulated Amortization	2017 Balance	Amortization	Accumulated Amortization on Disposals	2018 Balance
Buildings	\$ 32,295,496	\$ 1,225,709	\$ -	\$ 33,521,205
Band housing	1,090,473	58,493	-	1,148,966
CMHC housing	5,215,809	593,430	1,235,405	4,573,834
Computer equipment	103,495	3,748	36,391	70,852
Environmental infrastructure	3,254,569	143,431	-	3,398,000
Equipment	2,577,645	188,560	-	2,766,205
Equipment under capital lease	132,030	66,015	-	198,045
Land and land improvements	-	-	-	-
Leasehold improvements	19,406	-	-	19,406
Office furniture and equipment	593,573	15,989	-	609,562
Roads and street lights	2,204,046	83,372	-	2,287,418
Vehicles	1,126,968	215,404	-	1,342,372
	\$ 48,613,510	\$ 2,594,151	\$ 1,271,796	\$ 49,935,865

Net book value	2018	2017
Buildings	\$ 15,216,070	\$ 16,441,779
Band housing	1,190,750	1,016,639
CMHC housing	8,886,719	9,712,753
Computer equipment	612	4,360
Environmental infrastructure	2,339,251	2,482,682
Equipment	1,366,613	1,541,173
Equipment under capital lease	132,030	198,045
Land and land improvements	3,722,595	3,722,595
Office furniture and equipment	51,571	67,560
Roads and street lights	1,047,469	1,130,841
Vehicles	514,606	524,180
	\$ 34,468,286	\$ 36,842,607

EBB AND FLOW FIRST NATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2018

17. REPLACEMENT RESERVE

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 \$158,727 (2017 - \$171,467) 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, 2018, the Replacement Reserve Fund bank account had a balance of \$12,823 (2017 - \$468,013) and was underfunded by \$1,143,242 (2017 - \$597,000).

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, 2018, the Operating Reserve bank account had a balance of \$Nil (2017 - \$Nil) and was underfunded by \$161,138 (2017 - \$161,138).

Replacement reserve expenses have been made in accordance with Schedule "D" of the operating agreement with CMHC.

During the year, two mortgages were paid in full and the corresponding housing phases were transferred to the First Nation housing program. As a result, the replacement reserve has been reduced by \$96,327.

	Pre-1997	Post-1996	Operating Reserve	2018	2017
Balance, beginning of year	\$ 126,159	\$ 938,853	\$ 161,138	\$ 1,226,150	\$ 1,673,932
Interest earned	-	-	-	-	8,060
Annual allocation	14,528	144,200	-	158,728	168,476
Supplemental subsidy	70,719	-	-	70,719	-
Expenses	(7,421)	(34,646)	-	(42,067)	(204,440)
Allocation to (from) operating reserve	-	-	-	-	(363,808)
Maturing unit adjustment	(96,327)	-	-	(96,327)	(56,070)
	\$ 107,658	\$ 1,048,407	\$ 161,138	\$ 1,317,203	\$ 1,226,150

18. CONTINGENT LIABILITY

The organization is contingently liable for loans from Canada Mortgage and Housing Corporation under the Residential Rehabilitation Assistance Program (RRAP). 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.

EBB AND FLOW FIRST NATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2018

19. RECONCILIATION OF INDIGENOUS SERVICES CANADA REVENUES

	2018	2017
Revenues per financial statements	\$ 13,347,275	\$ 12,442,734
Revenues per confirmation	\$ 13,347,275	\$ 12,442,734

20. SUBSEQUENT EVENTS

In July 2018 a fire occurred at a house located adjacent to the Dauphin Lake golf course. The insurance company has allotted \$187,000 for the complete repairs of the house, however no settlement has been reached. The house is owned by Ebb and Flow Investment Group Inc.

21. ECONOMIC DEPENDENCE

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

22. 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, 2018

	Budget (Unaudited) 2018	2018	2017
Administration	\$ 119,294	\$ -	\$ 74,602
Advertising and promotion	17,100	34,287	44,723
Band member support	330,750	210,840	239,229
Basic needs	2,412,000	2,721,602	2,684,549
Community events	7,965	212,845	293,270
Construction costs	-	-	264,579
Delivery, freight and express	10,000	5,503	7,507
Equipment rentals	-	214,461	169,301
Gas and grocery purchases	3,802,060	3,957,971	3,980,567
Honorariums	397,090	308,029	131,486
Insurance	101,840	219,466	229,782
Interest and bank charges	40,695	143,239	133,541
Interest on long term debt	13,200	800,505	1,036,093
Interest on obligations under capital lease	-	8,890	5,474
Manitoba Lotteries commissions and fees	170,000	324,550	333,453
Memberships	1,020	15,780	3,142
Moveable asset reserve (Note 13)	-	44,190	42,903
Office and miscellaneous	153,547	129,476	112,222
Private home placement	-	12,750	11,475
Professional fees	275,440	962,744	476,272
Projects and programs	244,690	97,656	193,658
Property taxes	-	37,356	19,807
Rent	542,608	15,172	10,400
Repairs and maintenance	733,597	1,030,392	1,496,664
Replacement reserve (Note 17)	-	158,728	168,476
Replacement reserve supplemental subsidy	-	70,719	-
School activities	43,000	104,127	97,546
Special needs	111,379	118,348	119,524
Student allowances	398,293	382,606	356,410
Student incentives	40,820	27,770	29,230
Sub-contracts	236,294	526,584	587,778
Supplies	1,277,899	1,606,801	1,936,533
Telephone	108,049	138,516	127,983
Training and workshops	211,526	497,181	409,961
Travel	467,321	784,742	605,880
Tuition	489,193	540,009	410,669
Utilities	1,054,186	1,280,854	980,735
Vehicle	184,653	201,666	180,059
Wages and employee benefits	9,105,726	10,099,285	9,906,915
	\$ 23,101,235	\$ 28,045,640	\$ 27,912,398

EBB AND FLOW FIRST NATION
Consolidated Segment Disclosure (Schedule 2)
Year Ended March 31, 2018

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	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Revenues																
Federal government	\$ 1,469,662	\$ 1,204,088	\$ 1,036,465	\$ 982,184	\$ 4,265,844	\$ 3,913,066	\$ 6,548,704	\$ 6,329,396	\$ 792,648	\$ 837,223	\$ 3,100,066	\$ 2,827,922	\$ -	\$ -	\$ 17,213,389	\$ 16,093,879
Provincial government	611,361	778,443	-	-	77,358	78,930	-	-	-	-	-	-	285,364	278,509	974,084	1,135,881
Economic activities	-	-	-	-	-	-	-	-	-	-	-	-	7,188,235	7,601,577	7,188,235	7,601,577
Other revenue	1,421,600	1,485,654	104,834	111,261	-	-	887,248	807,062	56,444	393,093	21,039	34,916	136,237	114,366	2,627,402	2,946,351
	3,502,623	3,468,185	1,141,299	1,093,445	4,343,202	3,991,996	7,435,952	7,136,458	849,092	1,230,316	3,121,105	2,862,838	7,609,836	7,994,452	28,003,110	27,777,688
Expenses																
Wages and benefits	1,172,139	1,632,135	842,087	1,027,483	173,627	193,858	5,290,629	4,824,508	82,810	103,234	1,975,033	1,467,210	1,397,574	1,377,753	10,933,898	10,626,179
Debt servicing	651,850	759,610	646	-	9,914	8,559	17,294	23,159	132,601	177,854	3,545	2,239	136,783	203,687	952,635	1,175,108
Amortization	1,828,439	1,836,100	-	-	-	-	104,549	106,567	651,923	1,064,605	102,161	88,747	157,080	134,834	2,844,152	3,230,853
Other expenses	1,280,973	3,205,597	517,171	595,274	3,775,622	3,569,849	2,468,469	2,184,533	623,963	1,006,767	1,243,231	1,289,164	6,249,681	6,914,413	16,159,107	18,765,597
	4,933,401	7,433,442	1,359,904	1,622,757	3,959,163	3,772,266	7,880,941	7,138,767	1,491,297	2,352,460	3,323,970	2,847,360	7,941,118	8,630,687	30,889,792	33,797,737
Annual surplus (deficit)	\$ (1,430,778)	\$ (3,965,257)	\$ (218,605)	\$ (529,312)	\$ 384,039	\$ 219,730	\$ (444,989)	\$ (2,309)	\$ (642,205)	\$ (1,122,144)	\$ (202,865)	\$ 15,478	\$ (331,282)	\$ (636,235)	\$ (2,886,682)	\$ (6,020,049)