
SANDY BAY OJIBWAY FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2014

SANDY BAY OJIBWAY FIRST NATION

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MARCH 31, 2014

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

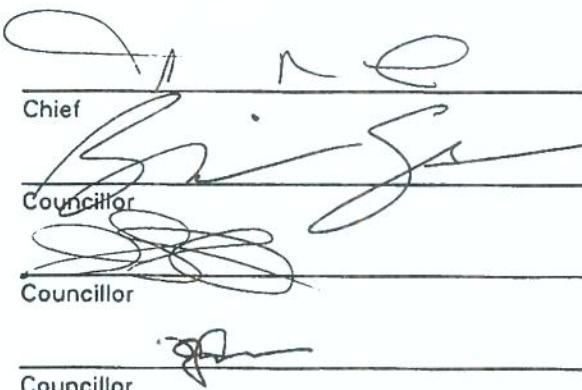
The consolidated financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations. Financial statements are not precise, since they include certain amounts based on estimates and judgements. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

The management maintains system 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 organization's assets are appropriately accounted for and adequately safeguarded.

Chief and Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and is ultimately responsible for reviewing and approving the consolidated financial statements.

Chief and Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the consolidated financial statements and the external auditors' report.

The external auditors, Collins Barrow HMA LLP, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of Sandy Bay Ojibway First Nation and meet when required.



The image shows five handwritten signatures. The first signature, 'Chief', is positioned above a horizontal line. The second signature, 'Councillor', is positioned above a horizontal line. The third signature, 'Councillor', is positioned above a horizontal line. The fourth signature, 'Councillor', is positioned above a horizontal line. The fifth signature, 'Councillor', is positioned above a horizontal line.

Councillor

Councillor

Councillor

Councillor

INDEPENDENT AUDITORS' REPORT

To the Members
Sandy Bay Ojibway First Nation

We have audited the accompanying consolidated financial statements of Sandy Bay Ojibway First Nation, which comprise the consolidated statement of financial position as at March 31, 2014, and the consolidated statements of operations and accumulated surplus, changes in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 entity'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 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.

Basis for Disclaimer of Opinion

During the year the entity demonstrated significant weaknesses in internal controls, as a result we were not able to gain satisfactory audit evidence in the following areas:

Cash and Cash Equivalents

We have been unable to satisfy ourselves with the completeness and existence of cash and its components. There were several bank accounts which had large outstanding stale dated items which have not been reversed for many periods, as well as cash accounts that have not been recorded in the Band's accounting system. As a result, we were not able to assess whether potentially material adjustments were required to the cash, revenues, and expenditures.

Accounts Receivable and Accrued Receivables

We have been unable to satisfy ourselves with the completeness, valuation and existence of accounts receivable,

miscellaneous revenues and rental revenues, due to the receivables not being properly maintained in the receivable sub-ledger, nor were documentation or agreements being retained. As a result, we were not able to assess whether potentially material adjustments were required to accounts receivables, amounts due from band members, accrued receivables and related revenues.

Inventory

We have been unable to satisfy ourselves with the completeness, existence, and valuation of inventory of Sandy Bay Bulk Fuels, for there was no inventory count sheet provided for fuel and other miscellaneous items, nor were we able to observe the inventory as at year end. As a result, we were not able to assess whether potentially material adjustments were required to the inventory and cost of goods sold.

Tangible Capital Assets

We have been unable to satisfy ourselves over the completeness, existence, and valuation of tangible capital assets as well as the accuracy of the amounts recorded in the accumulated amortization. There is a lack of documentation to support the additions and disposals during the year, specifically on the community buildings and infrastructure. As a result, we were not able to assess whether potentially material adjustments were required to tangible capital assets, accumulated amortization, and expenses.

Due to / from Related Parties

We have been unable to satisfy ourselves over the completeness, existence, and valuation of the amounts due to/from related parties as well as the completeness, existence, accuracy and occurrence of the revenues and expenditures related to these transactions. Many of these balances were not reconciled, and there was a lack of supporting documentation to support these transactions. As a result, we were not able to assess whether potentially material adjustments were required to the due to/from related parties, revenues, and expenditures.

Accounts Payable and Accrued Liabilities

We have been unable to satisfy ourselves with the existence and completeness of the recorded payables, due to the invoices not being entered or retained, and the sub-ledgers not being properly maintained. As a result, we were not able to assess whether potentially material adjustments were required to accounts payable, due to Aboriginal Affairs and Northern Development Canada, and accrued liabilities and expenses.

Deferred Revenues

We have been unable to satisfy ourselves with the existence and completeness of recorded deferred revenues and the completeness, occurrence and accuracy of the related deferred revenue. This is due to inadequate support and errors in the recording of the related revenues and expenditures in the programs. As a result, we were not able to assess whether potentially material adjustments were required to the deferred revenues, due to Aboriginal Affairs and Northern Development Canada, and expenses.

Contingencies and Commitments

We have been unable to satisfy ourselves with the completeness and existence of contingencies and commitments for or against the First Nation. We have not been able to make the necessary enquiries nor were we able to obtain or review applicable documents. As a result, we were not able to assess whether potentially material adjustments were required to record the accruals and disclosures of contingencies and commitments.

VLT Revenues and Expenditures

We have been unable to satisfy ourselves with the recording of revenues and expenses due to cash receipts related to video lottery terminal and bingo revenues not being properly recorded and reconciled in the accounting system. As a result, we were unable to obtain adequate support to satisfy ourselves with the completeness of cash, and the completeness, occurrence, and classification of revenues and expenditures.

Payroll

We have been unable to satisfy ourselves with the completeness, occurrence, and accuracy of payroll expenses,

and completeness of vacation and source deduction payables, due to lack of documentation related to payroll records. As a result, we were not able to assess whether potentially material adjustments were required for accrued payroll and source deductions and payroll expenditures.

Disclaimer of Opinion

Due to the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements.

Other Matters

The financial statements of the Sandy Bay Ojibway First Nation for the year ended March 31, 2013, were audited by another auditor who expressed a disclaimer of opinion on February 10, 2014.

Collins Barrow HMA LLP

CHARTERED ACCOUNTANTS

Winnipeg, Manitoba
November 7, 2014

SANDY BAY OJIBWAY FIRST NATION

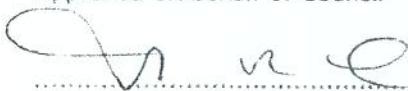
STATEMENT 1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MARCH 31

	2014	2013
FINANCIAL ASSETS		
Cash	\$ 1,463,983	\$ 598,497
Restricted cash (Note 3)	282,748	443,777
Term deposits	332,277	330,626
Accounts receivable (Note 4)	<u>362,848</u>	<u>1,229,644</u>
Total financial assets	<u>2,441,856</u>	<u>2,602,544</u>
LIABILITIES		
Bank indebtedness (Note 5)		130,564
Accounts payable and accrued liabilities (Note 6)	8,630,448	9,304,090
Unexpended funding (Note 7)	783,744	814,208
Long-term debt (Note 8)	7,912,540	8,784,850
Obligation under capital lease	81,029	203,576
Due to related entities		7,262
Total liabilities	<u>17,407,761</u>	<u>19,244,550</u>
Net debt	<u>(14,965,905)</u>	<u>(16,642,006)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 9)	38,011,593	39,693,908
Inventory		21,578
Prepaid expenses	<u>10,000</u>	<u>10,000</u>
Total non-financial assets	<u>38,021,593</u>	<u>39,725,486</u>
Accumulated surplus	<u>\$ 23,055,688</u>	<u>\$ 23,083,480</u>
Contingent liabilities (Note 10)		

Approved on behalf of Council



Chief

Councillor

Councillor

Councillor

Councillor

Councillor

Councillor

Councillor

SANDY BAY OJIBWAY FIRST NATION

STATEMENT 2

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

YEAR ENDED MARCH 31

	2 0 1 4	2 0 1 3
REVENUE		
Aboriginal Affairs and Northern Development Canada <i>(Note 11)</i>	\$ 21,844,314	\$ 24,271,242
First Nation and Inuit Health	3,735,820	3,776,394
First People Development Inc	1,250,400	1,309,796
Canada Mortgage and Housing Corporation	328,441	301,719
Contributions from band entities and sundry	3,027,464	2,376,120
Gain on sale of properties	1,993,703	
Gaming Revenue	2,237,508	1,226,369
Province of Manitoba	219,446	97,069
Rental Income	<u>70,000</u>	<u>267,291</u>
	<u>34,707,096</u>	<u>33,626,000</u>
EXPENDITURES		
Band government	1,826,874	3,499,734
Community services	3,901,672	4,034,168
Education services	9,184,791	9,214,895
Economics development	9,520	101,934
Social services	7,483,430	7,052,923
Housing authority	1,958,977	1,733,586
Medical services	4,293,860	3,843,948
Tobacco tax	1,539,992	651,530
Bulk fuel and convenience store	1,011,155	498,759
Video lottery terminal	1,698,943	1,860,117
Aboriginal skills and employment training	1,233,715	1,371,208
Other services	<u>591,959</u>	<u>363,069</u>
	<u>34,734,888</u>	<u>34,225,871</u>
ANNUAL DEFICIT	(27,792)	(599,871)
ACCUMULATED SURPLUS, beginning of year	<u>23,083,480</u>	<u>23,683,351</u>
ACCUMULATED SURPLUS, end of year	<u>\$ 23,055,688</u>	<u>\$ 23,083,480</u>

SANDY BAY OJIBWAY FIRST NATION

STATEMENT 3

CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT

YEAR ENDED MARCH 31

	2 0 1 4	2 0 1 3
Annual deficit	\$(27,792)	\$(599,871)
Acquisition of tangible capital assets and construction in progress - net	(718,854)	(6,037,149)
Proceeds on sale of tangible capital assets	2,100	9,196
Amortization of tangible capital assets	<u>2,442,225</u>	<u>2,222,597</u>
	<u>1,725,471</u>	<u>(3,805,356)</u>
Acquisition of supplies and inventories		25,932
Acquisition of prepaid expenses		110,592
Use of supplies and inventories	(21,578)	-
	(21,578)	136,524
NET CHANGE IN DEBT FOR YEAR	1,676,101	(4,268,703)
NET DEBT, <i>beginning of year</i>	<u>(16,642,006)</u>	<u>(12,373,303)</u>
NET DEBT, <i>end of year</i>	<u>\$(14,965,905)</u>	<u>\$(16,642,006)</u>

SANDY BAY OJIBWAY FIRST NATION

STATEMENT 4

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31

	2 0 1 4	2 0 1 3
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CASH FLOW FROM

OPERATING ACTIVITIES

Cash received from funding and other sources	\$ 35,543,428	\$ 32,540,900
Cash paid to suppliers and employees	<u>(32,966,275)</u>	<u>(27,006,610)</u>
	<u>2,577,153</u>	<u>5,534,290</u>

CAPITAL ACTIVITIES

Acquisition of tangible capital assets and construction in progress	(738,363)	(6,037,149)
Sale of tangible capital assets	<u>-</u>	<u>1,500</u>
	<u>(738,363)</u>	<u>(6,035,649)</u>

FINANCING ACTIVITIES

Proceeds from long term debt	597,309	2,566,891
Repayment of long term debt	<u>(1,469,619)</u>	<u>(1,312,910)</u>
Repayment obligations under capital lease	<u>(122,546)</u>	<u>(123,153)</u>
Advances from (to) related parties - net	<u>(7,262)</u>	<u>-</u>
	<u>(1,002,118)</u>	<u>1,130,828</u>

NET INCREASE IN CASH DURING YEAR

836,672

629,469

CASH, *beginning of year*

1,242,336

612,867

CASH, *end of year*

\$ 2,079,008

\$ 1,242,336

CASH COMPRISED OF

Cash	\$ 1,463,983	\$ 598,497
Restricted cash	282,748	443,777
Term deposits	332,277	330,626
Bank Indebtedness	<u>-</u>	<u>(130,564)</u>
	<u>\$ 2,079,008</u>	<u>\$ 1,242,336</u>

SANDY BAY OJIBWAY FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2014

1. NATURE OF OPERATION

Sandy Bay Ojibway First Nation (the Nation) is a non-profit, non-taxable entity and is engaged in the social, cultural and economic development of its members. Sandy Bay Ojibway First Nation financial reporting entity includes all related entities which are accountable to the Nation and are either owned or controlled by the Nation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements are the representations of management, prepared in accordance with Canadian public sector accounting standards and include the following significant accounting policies.

REPORTING ENTITY

The consolidated financial statements consolidate the financial activities of all entities and departments comprising the Nation reporting entity. The Nation has consolidated the assets, liabilities, revenue and expenses of the following entities and departments:

- Sandy Bay Ojibway First Nation Administration	100% owned
- Sandy Bay Housing Authority	100% owned
- Sandy Bay Ojibway Health Centre	100% owned
- Sandy Bay Ojibway First Nation VLT and Community Complex Centre	100% owned
- Sandy Bay Ojibway First Nation Tobacco Tax Rebate	100% owned
- Sandy Bay Bulk Fuel and Convenience Store Ltd.	100% owned
- Sandy Bay Aboriginal Skills and Education Training Strategy	100% owned
- Sandy Bay Ojibway First Nation Radio	100% owned

All inter-entity balances have been eliminated on consolidation. However, transactions between departments have not been eliminated in order to present the results of operations for each specific department.

BASIS OF PRESENTATION

Sources of revenue and expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes available and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of the legal obligation to pay.

CASH AND CASH EQUIVALENTS

Cash resources include balances with banks and short-term investments with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

INVENTORY

Inventory is valued at the lower of cost and net realizable value. Cost is determined by the weighted - average cost method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated selling costs.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2014

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

REPLACEMENT RESERVE

The reserves are required by agreements with funders for the replacement of capital assets. This balance consists of a net accumulation of the levy on operations and expenditures paid for by the reserve since inception.

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, inventory and prepaid expenses.

NET DEBT

The Nation's consolidated financial statements are presented so as to highlight net debt as the measurement of financial position. The net debt of the Nation is determined by its financial assets less its liabilities. Net debt combined with non-financial assets comprises a second indicator of financial position, accumulated surplus.

TANGIBLE CAPITAL ASSETS

Tangible capital assets are initially recorded at cost based on historical cost accounting records. Tangible capital assets are amortized annually using the straight line method (except where noted) at rates intended to amortize the cost of the assets over their estimated useful lives:

Roads and Light	25-40 years straight line basis
Water and Wastewater	30-40 years straight line basis
Commercial Buildings	04-40 years straight line basis
Residential Buildings	15-40 years straight line basis
Equipment	03-15 years straight line basis
Automotive	05-10 years straight line basis

In the year of acquisition, amortization is taken at one-half of the above rates.

CMHC housing amortization method: amortization of the buildings purchased using mortgaged funds provided by CMHC is not calculated based on the estimated useful lives of the assets, but rather at a rate equal to the annual principal reduction of the mortgage.

LONG-LIVED ASSETS

Long-lived assets consist of tangible capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Nation performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying amount of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the asset's carrying amount. Impairment is measured as the amount by which the asset's carrying amount exceeds its fair value. Any impairment is included in the statement of operations for the year in which the asset becomes impaired.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2014

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

EMPLOYEE FUTURE BENEFITS

The Nation's employee future benefit program consists of a defined contribution pension plan. Nation contributions to the defined contribution plan are expensed as incurred.

SEGMENTS

The Nation conducts its business through "Twelve" reportable segments as identified in Note 19. These operating segments are established by senior management to facilitate the achievement of the Nation's long-term objectives to aid in resource allocation decisions, and to assess operational performance.

The First Nation's segments are as follows:

Band Government - includes administration and governance activities.

Community Services - includes activities for the maintenance of the community and its infrastructure.

Education Services - includes the operations of education programs.

Social Services - activities include delivering social programs.

Economic Development - includes activities related to the economic development of the community, including its commercial operations.

Housing Authority - includes activities related to the development and sustainment of on-reserve housing.

Medical Services - reports on the Nation's funding related to health and wellness.

Tobacco Tax - include activities related to the distribution of tobacco tax revenues.

Bulk Fuels and Convenience Store - include activities related to fuel and convenience services.

Video Lottery Terminals (VLT) – include activities related to gaming services.

Aboriginal Skills and Employment Training Strategy (ASETS) – activities include providing skills and employment training services.

Other Services – include activities related to postal, correctional and communication services.

For each reported segment, revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2014

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

REVENUErecognition

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfer revenue is recognized in the statement of operations as the stipulations are settled.

Other revenue is recognized by the Nation when services are provided or goods are shipped. The Nation recognizes gaming revenues on a net win basis (the difference between gaming wins and losses), including table games and slot machines, on a daily basis. Gaming revenues are net of commissions paid to Manitoba Lotteries Corporation, and net of accruals for anticipated payouts of progressive slot machine jackpots and certain progressive table game payouts. Management believes that it is appropriate to present these commissions net of gaming revenues as these amounts are fixed as per their agreement with Manitoba Lotteries Corporation.

Rental revenue is recorded in the year it is earned. At the end of each year management evaluates whether rent revenue is collectible and records a bad debt expense and allowance for doubtful accounts for those amounts designated as unlikely to be collected.

MEASUREMENT UNCERTAINTY

The preparation of the financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period.

Accounts receivable are stated after estimates as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Inventory is stated after provisions are made for slow moving and obsolete inventory. Amortization is based on the estimated useful lives of tangible capital assets.

These estimates are reviewed periodically and, as adjustments become necessary, they are reported in the statement of operations in the period in which they become known.

SANDY BAY OJIBWAY FIRST NATION

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2014

3. RESTRICTED CASH

Funds held in trust on behalf of Nation members by the Government of Canada on Ottawa Trust Fund are reported as restricted cash. Trust monies consist of:

- a) Capital trust monies derived from non-renewable resource transactions on the sale of land or other Nation tangible capital assets; and
- b) Revenue trust monies generated primarily through land transactions or interest earned on deposits held in trust.

	2 0 1 4	2 0 1 3
Ottawa Trust Fund Band Trust Account	\$ 22,529 <u>260,219</u>	\$ 22,528 <u>421,249</u>
Trust Balance, end of year	<u>\$ 282,748</u>	<u>\$ 443,777</u>

4. ACCOUNTS RECEIVABLE

	2 0 1 4	2 0 1 3
A.A.N.D.C.		
Band	\$ 185,393	\$ 1,001,199
Received subsequent to year end		19,325
Receivable outstanding	<u>47,607</u>	21,000
Health Canada - FNIH	<u>53,407</u>	98,255
Province of Manitoba	<u>218,919</u>	37,650
Goods and services tax	<u>213,055</u>	375,689
Member receivable	<u>718,381</u>	45,139
Trade and other	<u>(355,533)</u>	1,598,257
Subtotal	<u>\$ 362,848</u>	<u>\$ 1,229,644</u>
Less: Allowance for doubtful accounts		

5. BANK INDEBTEDNESS

Sandy Bay Ojibway First Nation has an approved line of credit of \$500,000.00. The line of credit bears interest at the bank's prime rate plus 3% (effective rate 6%), calculated and payable monthly. It is secured by a general security agreement covering all fixed and floating assets, including any future acquired property of the Sandy Bay Ojibway First Nation registered with the personal property registry, Manitoba. At March 31, 2014 Sandy Bay Ojibway First Nation had not withdrawn under facility.

SANDY BAY OJIBWAY FIRST NATION

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2014

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2 0 1 4	2 0 1 3
A.A.N.D.C	\$ 235,250	\$ 476,835
Government remittance payable	1,022,325	589,618
Health Canada	550,000	7,216
Trade and other	6,598,052	7,266,910
Trust payables	<u>224,821</u>	<u>963,511</u>
	<u><u>\$ 8,630,448</u></u>	<u><u>\$ 9,304,090</u></u>

7. UNEXPENDED FUNDING

	2 0 1 4	2 0 1 3
A.A.N.D.C.		
Community Economic Opportunities Program	\$ 31,094	
Fire truck purchase	272,355	272,355
Water pump purchase	61,568	61,568
Water truck purchase	136,036	136,036
Septic truck purchase	110,363	110,363
Community Building repairs	<u>2,792</u>	<u>2,792</u>
	<u>583,114</u>	<u>614,208</u>
Others		
Canada Mortgage and Housing Corporation	200,000	
Aboriginal Skill and Development Authority	<u>200,630</u>	<u>-</u>
	<u><u>\$ 783,744</u></u>	<u><u>\$ 814,208</u></u>

8. LONG TERM DEBT

	2 0 1 4	2 0 1 3
Canada Mortgage and Housing Corporation - 18 unit mortgage bearing interest at 1.92% per annum, repayable at \$4,352 per month including interest. The mortgage matures on February 1, 2023, with a renewal date of April 1, 2019 and is secured by a ministerial guarantee and assignment of fire insurance.	\$ 428,491	\$ 472,391
Canada Mortgage and Housing Corporation - 14 unit mortgage bearing interest at 1.62% per annum, repayable at \$4,939 per month including interest. The mortgage matures on March 1, 2033, with a renewal date of March 1, 2018 and is secured by a ministerial guarantee and assignment of fire insurance.	970,476	1,013,770
Canada Mortgage and Housing Corporation - 25 unit mortgage bearing interest at 2.11% per annum, repayable at \$7,624 per month including interest. The mortgage matures on December 1, 2033, with a renewal date of January 1, 2019 and is secured by a ministerial guarantee and assignment of fire insurance.	1,480,426	1,537,947

SANDY BAY OJIBWAY FIRST NATION

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2014

8. LONG TERM DEBT *(continued)*

2014 2013

Canada Mortgage and Housing Corporation - 23 unit mortgage bearing interest at 2.11% per annum, repayable at \$6,471 per month including interest. The mortgage matures on December 1, 2033, with a renewal date of January 1, 2019 and is secured by a ministerial guarantee and assignment of fire insurance.

1,256,443 1,305,486

Canada Mortgage and Housing Corporation - 8 unit mortgage bearing interest at 1.44% per annum, repayable at \$3,781 per month including interest. The mortgage matures on July 1, 2037, with a renewal date of July 1, 2017 and is secured by a ministerial guarantee and assignment of fire insurance.

899,678 931,933

Canada Mortgage and Housing Corporation - 15 unit mortgage bearing interest at 2.40% per annum, repayable at \$6,446 per month including interest. The mortgage matures on October 1, 2038, with a renewal date of October 1, 2018 and is secured by a ministerial guarantee and assignment of fire insurance.

1,439,658 842,349

TD Canada Trust - 18 unit mortgage bearing interest at 3.96% per annum, repayable in monthly blended payments of \$4,819. The mortgage matures on April 1, 2018 and is secured by a ministerial guarantee, a CMHC undertaking and an assignment of fire insurance.

305,800 349,554

Peace Hills Trust Loan bearing interest at 5% per annum, repayable at \$6,698 per month including interest. The loan matures on March 1, 2018 and is secured by a first charge blanket mortgage over off reserve homes, an assignment of Sandy Bay Housing Authority rent and leases, a first ranking general security agreement over all fixed and floating assets of Sandy Bay Housing Authority, a general security agreement over all fixed and floating assets of Sandy Bay Ojibway First Nation, a demand promissory note for \$1,151,500, and an assignment of fire, all risks and perils insurance.

1,131,568 1,155,601

Peace Hills Trust Loan bearing interest at 6.05% per annum, repayable at \$1,756 per month including interest. The loan matured on February 1, 2014 and was secured by a CMHC undertaking to insure, ministerial guarantee and assignment of fire insurance.

18,834

Peace Hills Trust Loan bearing interest at prime plus 3% (effective rate 6%) per annum, repayable in annual lump sum principal payments of \$406,985 due April 1, 2013 and monthly interest payments. The loan was secured by a general security agreement over all current and future fixed and floating assets, supported by designated AANDC funding agreements, assignment of VLT revenue, assignment of Tobacco Tax Rebate funds, a demand promissory note for \$669,300, and an assignment of fire, all risks and perils insurance.

406,985

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2014

8. LONG TERM DEBT *(continued)*

2014

2013

Peace Hills Trust Loan bearing interest at prime plus 4% (effective rate 7%) per annum repayable in monthly principal payments of \$150,000 and monthly interest payments. The loan matured on August 1, 2013 and was secured by a general security agreement over all fixed and floating assets of Sandy Bay Ojibway First Nation, an assignment of all AANDC funding, and a demand promissory note for \$750,000.

		<u>750,000</u>
	<u>\$ 7,912,540</u>	<u>\$ 8,784,850</u>

The scheduled principal amounts payable within the next five years to meet retirement provisions is estimated to be as follows:

March 31, 2015	\$ 349,877
2016	358,586
2017	367,549
2018	376,776
2019	386,275

SANDY BAY OJIBWAY FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2014

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9. TANGIBLE CAPITAL ASSETS

	Cost			Accumulated Amortization			Net Book Value		
	Opening Balance	Additions	Disposals, Write-offs & Adjustments	Opening Balance	Amortization	Disposals, Write-offs & Adjustments	Closing Balance	Total	Total 2014
Construction in Progress <i>(Note 17)</i>	\$ 9,694,182	\$ 1,911,332	\$ 7,782,850	\$ 33,884	\$ 20,442,938	\$ 700,325	\$ 21,143,263	\$ 7,782,850	\$ 9,694,182
Land	33,884		28,002,500	28,002,500				33,884	33,884
Road and Lights	28,002,500							6,859,237	7,559,562
Water and Waste Water	2,153,321		2,153,321	1,273,312	54,947		1,328,259	825,062	880,009
Commercial Buildings	6,768,907		6,768,907	3,953,415	209,519		4,162,934	2,605,973	2,815,492
Residential Buildings	21,841,621	2,111,704	23,953,325	4,923,165	993,847		5,917,012	18,036,313	16,918,456
Equipment	3,107,359	509,528	23,647	3,593,240	2,083,515	311,052	2,373,020	1,220,220	1,023,844
Automotive	2,175,894	52,110	—	2,228,004	1,407,415	—	172,535	—	648,054
	<u>\$ 73,777,668</u>	<u>\$ 2,673,342</u>	<u>\$ 1,934,979</u>	<u>\$ 74,516,031</u>	<u>\$ 34,083,760</u>	<u>\$ 2,442,225</u>	<u>\$ 21,547</u>	<u>\$ 36,504,438</u>	<u>\$ 38,011,593</u>
									<u>\$ 39,693,908</u>

SANDY BAY OJIBWAY FIRST NATION

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2014

10. CONTINGENT LIABILITIES

During the year it was noted that there are commitments to pay and potential contingencies related to long outstanding payable balances. These amounts could not be quantified and therefore have not been accrued in these statements.

11. RECONCILIATION OF ABORIGINAL AFFAIRS AND NORTHERN DEVELOPMENT CANADA REVENUE

	2 0 1 4	2 0 1 3
AANDC funding as per agreement #1314-05-000052	\$ 21,844,314	\$ 24,061,606
Plus: Revenue deferred from previous years	583,114	1,114,262
Less: Revenue deferred to subsequent year	(583,114)	(583,114)
2012 band operated schools direct services recovery	(252,994)	
2013 Income assistance recovery	- (68,518)	
TOTAL A.A.N.D.C. REVENUE PER FINANCIAL STATEMENTS	<u>\$ 21,844,314</u>	<u>\$ 24,271,242</u>

12. ECONOMIC DEPENDENCE

Sandy Bay Ojibway First Nation receives the majority of its revenue from the department of Aboriginal Affairs and Northern Development Canada (AANDC) and First Nations Inuit Health (FNIH) as a result of Treaties entered into with the Government of Canada. These treaties are administered by AANDC and FNIH under the terms and conditions of the Indian Act. The ability of the First Nation to continue its operations is dependent upon the Government of Canada's continued financial commitments as guaranteed by these treaties. Simultaneously the First Nation is also attempting to develop alternate sources of revenue in order to become self-sufficient.

13. REPLACEMENT RESERVES

Under the terms of the operating agreements with CMHC, the Replacement Reserve is to be credited with an annual allocation of \$115,880. These funds along with accumulated interest must be held in a separate bank account and/or invested 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. Expenditures are charged to accumulated interest first and then to principal. As of March 31, 2014 the replacement reserve was unfunded and no funds were maintained in a separate bank account.

The annual charge is accounted for as an operating expenditure. Interest on these reserve funds is credited directly to the reserve and not recognized as revenue. Expenditures funded by the reserve are charged directly to the reserve and not recognized as operating expenditures.

	CMHC	FNIHB	2 0 1 4	2 0 1 3
Balance, beginning of the year	\$ 865,386	\$ 229,762	\$ 1,095,148	\$ 966,222
Allocation for the year	115,880	21,162	137,042	128,926
Prior period adjustment	(6,132)	- (6,132)	- (6,132)	- (6,132)
	<u>\$ 975,134</u>	<u>\$ 250,924</u>	<u>\$ 1,226,058</u>	<u>\$ 1,095,148</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2014

14. RELATED PARTY TRANSACTIONS

These transactions are in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the related parties), which approximates the arm's length equivalent value for sales of products.

Due to the significant volume of transactions between the Sandy Bay Ojibway First Nation and related parties, aggregate revenue and expenditures derived from related parties is not determinable.

15. EXPENSES BY OBJECT

The following is a summary of expenses by object:

	2 0 1 4	2 0 1 3
Amortization	\$ 2,442,225	\$ 2,222,597
Bank and interest charges	428,519	419,441
Contract services	1,291,785	592,081
Cost of sales	67,639	267,460
Donation	123,432	489,363
Fuel	575,270	609,403
Insurance	344,488	343,190
Material and supplies	336,149	509,334
Others	2,005,837	1,980,456
Professional fees	2,743,095	1,033,425
Repair and maintenance	412,325	526,712
Salaries and benefits	13,241,389	13,351,457
Social assistance	7,818,391	8,354,065
Telecommunication	162,431	199,856
Training and workshop	1,648,706	1,844,840
Travel	706,862	916,836
Utilities	<u>386,345</u>	<u>565,355</u>
	<u><u>\$ 34,734,888</u></u>	<u><u>\$ 34,225,871</u></u>

16. COMPARATIVE FIGURES

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

17. CONSTRUCTION IN PROGRESS

Construction in Progress relates to costs incurred to date for the construction of the roads and infrastructure. The project was in progress during the fiscal year ending March 31, 2014. The estimated total cost and date of completion is unknown at this time. The project is expected to be funded by AANDC. As at March 31, 2014 \$7,782,850 has been invested into this project.

18. BUDGET INFORMATION

Due to non-availability of budget information from the First Nation, the same has not been disclosed in the financial statements.

SANDY BAY OJIBWAY FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

19. SEGMENT DISCLOSURE

The presentation by segment is based on the same accounting policies as described in the summary of Significant Accounting Policies as described in Note 2. The segment results for the year are as follows:

	Band Government		Community Services		Education Services		Economic Development		Social Services	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues										
Federal Government										
AANDC	\$ 1,588,732	\$ 1,512,163	\$ 2,923,827	\$ 5,847,084	\$ 9,065,909	\$ 8,995,988	\$ 276,589	\$ 7,723,410	\$ 7,639,418	
FNIBH										
CMHC										
Subtotal	1,588,732	1,512,163	2,923,827	5,847,084	9,065,909	8,995,988	276,589	7,723,410	7,639,418	
Other revenue	99,507	281,739	40,582	379,602	9,473	8,988	-	-	22,686	46,064
Total revenue	1,688,239	1,793,902	2,964,409	6,226,686	9,075,382	9,004,976	276,589	7,746,096	7,685,482	
Expenses										
Amortization	5,031	23,107	1,120,843	1,091,443	133,041	133,042				
Debt servicing	215,362	206,306								
Salaries and benefits	915,793	1,085,083	1,262,741	1,370,520	6,745,197	6,378,766	84,162	138,086	364,925	
Other	690,689	2,391,544	1,518,088	1,365,901	2,306,553	2,703,087	9,520	17,772	7,610,952	6,903,316
Total expenses	1,826,875	3,706,040	3,901,672	3,827,864	9,184,791	9,214,895	9,520	101,934	7,749,038	7,268,241
Surplus (Deficit)	\$(138,636)	\$(1,912,138)	\$(937,263)	\$(2,398,822)	\$(109,409)	\$(209,919)	\$ 267,069	\$ 174,655	\$(2,942)	\$ 417,241

SANDY BAY OJIBWAY FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

19. SEGMENT DISCLOSURE (continued)

YEAR ENDED MARCH 31

	Housing Authority <u>2014</u>	Housing Authority <u>2013</u>	Medical Services <u>2014</u>	Medical Services <u>2013</u>	Tobacco Tax <u>2014</u>	Tobacco Tax <u>2013</u>	Bulk Fuel and Convenience Store <u>2014</u>	Bulk Fuel and Convenience Store <u>2013</u>	VLT <u>2014</u>	VLT <u>2013</u>
Revenues										
Federal Government	\$	\$	\$ 265,847	\$ 3,776,394	\$	\$	\$	\$	\$	\$
AANDC		328,441	301,719	3,735,820						
FNIBH										
CMHC										
Subtotal	328,441	301,719	4,001,667	3,776,394						
Other revenue										
Total revenue	328,441	301,719	4,071,889	3,828,857	1,048,346	1,111,756	2,755	477,596	3,164,245	1,050,869
Expenses										
Amortization	993,847	824,527	130,523	108,279			8,799	8,800	33,400	33,400
Debt servicing	201,766	159,244								
Salaries and benefits	183,900	166,831	2,459,476	2,162,837						
Other	313,857	582,985	1,703,861	1,357,514	1,539,992	651,530	1,002,356	190,772	580,661	547,432
Total expenses	1,693,370	1,733,587	4,293,860	3,628,630	1,539,992	651,530	1,011,155	498,759	299,187	1,279,284
Surplus (Deficit)	\$ (1,364,929)	\$ (1,431,868)	\$ (221,971)	\$ 200,227	\$ (491,646)	\$ 460,226	\$ (1,008,400)	\$ (21,163)	\$ 1,465,302	\$ (809,247)

SANDY BAY OJIBWAY FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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YEAR ENDED MARCH 31

19. SEGMENT DISCLOSURE (continued)

	Assets <u>2014</u>	Assets <u>2013</u>	Other Services <u>2014</u>	Other Services <u>2013</u>	TOTAL <u>2014</u>	TOTAL <u>2013</u>
Revenues						
Federal Government	\$ -	\$ -	\$ -	\$ -	\$ 21,844,314	\$ 24,271,242
AANDC	\$ -	\$ -	\$ -	\$ -	3,735,820	3,776,394
FNIB	\$ -	\$ -	\$ -	\$ -	328,441	301,719
CMHC	\$ -	\$ -	\$ -	\$ -		
Subtotal	\$ 1,261,537	\$ 1,344,214	\$ 3,079,168	\$ 523,354	\$ 25,908,575	\$ 28,349,355
Other revenue						
Total revenue	\$ 1,261,537	\$ 1,344,214	\$ 3,079,168	\$ 523,354	\$ 34,707,096	\$ 33,626,000
Expenses						
Amortization	16,741				2,442,225	2,222,597
Debt servicing					4,17,128	365,551
Salaries and benefits	615,227	800,816	340,308	199,313	13,241,389	13,351,457
Other	601,748	570,392	251,648	163,754	18,634,146	18,286,266
Total expenses	\$ 1,233,716	\$ 1,371,208	\$ 591,956	\$ 363,067	\$ 34,734,888	\$ 34,225,871
Surplus (Deficit)	\$ 27,821	\$ (26,994)	\$ 2,487,212	\$ (160,287)	\$ (27,792)	\$ (599,871)