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SANDY BAY OJIBWAY FIRST NATION

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2015

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# SANDY BAY OJIBWAY FIRST NATION

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MARCH 31, 2015

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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 public sector accounting standards. 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.

  
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Chief

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Councillor

  
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Councillor

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Councillor

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Councillor

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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, 2015, 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.

### Auditors' 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

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

### Basis for Qualified Opinion

#### Opening Balances

We were not able to verify the opening balances as reported in the consolidated statement of financial position as at April 1, 2014. Since these opening balances enter into the determination of the results of operations, changes in net debt and cash flows, we were unable to determine whether adjustments to revenue, expenditures, annual surplus, change in net debt, or cash provided from/to operations might be necessary.

#### 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, amounts due to Aboriginal Affairs and Northern Development Canada, and accrued liabilities and expenses.

Sandy Bay Housing Authority Inc.

Due to unavailability of records relating to Sandy Bay Housing Authority Inc., we were not able to determine what adjustments might have been necessary to record Housing Authority revenue, expenditures, receivables and payables in these consolidated financial statements.

#### Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion Paragraphs, the financial statements present fairly, in all material respects, the financial position of the Sandy Bay Ojibway First Nation as at March 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Winnipeg, Manitoba  
September 3, 2015

*Collins Barrow HMA LLP*  
CHARTERED ACCOUNTANTS



# SANDY BAY OJIBWAY FIRST NATION

STATEMENT 1

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MARCH 31

	2015	2014 (Restated)
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### FINANCIAL ASSETS

Cash	\$ 2,365,985	\$ 1,475,094
Restricted cash (Note 4)	282,748	282,748
Term deposits	334,610	332,277
Accounts receivable (Note 5)	<u>286,662</u>	<u>391,746</u>
Total financial assets	<u>3,270,005</u>	<u>2,481,865</u>

### LIABILITIES

Accounts payable and accrued liabilities (Note 7)	9,909,701	10,470,313
Unexpended funding (Note 8)	226,480	783,744
Long-term debt (Note 9)	7,562,638	7,912,540
Obligation under capital lease	<u>-</u>	<u>81,029</u>
Total liabilities	<u>17,698,819</u>	<u>19,247,626</u>
Net debt	<u>(14,428,814)</u>	<u>(16,765,761)</u>

### NON-FINANCIAL ASSETS

Tangible capital assets (Note 10)	37,233,273	38,060,316
Inventory	41,179	50,067
Prepaid expenses	<u>10,000</u>	<u>10,000</u>
Total non-financial assets	<u>37,284,452</u>	<u>38,120,383</u>
Accumulated surplus	<u>\$ 22,855,638</u>	<u>\$ 21,354,622</u>

Contingent liabilities (Note 11)

Approved on behalf of Council

Chief

Councillor

Councillor


Councillor

Councillor

Councillor

Councillor

Councillor

 Collins Barrow

# SANDY BAY OJIBWAY FIRST NATION

STATEMENT 2

## CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

YEAR ENDED MARCH 31

	BUDGET (UNAUDITED)	2015	2014 (Restated)
<b>REVENUE</b>			
Aboriginal Affairs and Northern Development Canada	\$ 22,224,561	\$ 22,369,525	\$ 21,844,314
First Nation and Inuit Health Branch	3,793,971	4,041,794	3,735,820
First People Development Inc		1,484,835	1,250,400
Canada Mortgage and Housing Corporation	390,497	363,938	328,441
Contributions from band entities and sundry	2,002,882	4,218,089	3,417,533
Gain on sale of properties			1,993,703
Gaming Revenue	1,939,000	2,467,005	2,237,508
Province of Manitoba	188,000	1,155,749	219,446
Rental Income	-	317,601	70,000
	<u>30,538,911</u>	<u>36,418,536</u>	<u>35,097,165</u>
<b>EXPENDITURES</b>			
Band government	2,182,724	2,501,129	1,826,874
Community services	4,628,713	4,361,559	3,901,672
Education services	9,055,402	8,769,428	9,184,791
Economics development	337,632	19,999	9,520
Social services	7,415,848	8,163,602	7,483,430
Housing authority	832,258	1,543,085	1,958,977
Other services	411,539	616,133	591,959
Tobacco tax		802,485	1,539,992
Bulk fuel	2,839	153,868	1,011,155
Video lottery terminal	1,469,571	1,825,012	1,698,943
Aboriginal skills and employment training		1,531,834	1,233,715
Smoke Shop		957,592	315,795
Medical services	3,839,735	3,671,794	4,293,861
	<u>30,176,261</u>	<u>34,917,520</u>	<u>35,050,684</u>
ANNUAL SURPLUS	362,650	1,501,016	46,481
ACCUMULATED SURPLUS, <i>beginning of year</i>	21,354,622	21,354,622	23,063,610
Prior period adjustments ( <i>Note 3</i> )	-	-	( 1,755,469)
ACCUMULATED SURPLUS, <i>end of year</i>	<u>\$ 21,717,272</u>	<u>\$ 22,855,638</u>	<u>\$ 21,354,622</u>

# SANDY BAY OJIBWAY FIRST NATION

STATEMENT 3

## CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT

	YEAR ENDED MARCH 31		
	BUDGET (UNAUDITED)	2015	2014 (Restated)
Annual surplus	\$ <u>362,650</u>	\$ <u>1,501,016</u>	\$ <u>46,481</u>
Acquisition of tangible capital assets and construction in progress		( <u>1,297,192</u> )	( <u>767,577</u> )
Proceeds on sale of tangible capital assets		<u>50,491</u>	<u>2,100</u>
Amortization of tangible capital assets	<u>-</u>	<u>2,073,744</u>	<u>2,442,225</u>
	<u>-</u>	<u>827,043</u>	<u>1,676,748</u>
Acquisition of supplies and inventories			( <u>21,578</u> )
Use of supplies and inventories	<u>-</u>	<u>8,888</u>	<u>50,067</u>
	<u>-</u>	<u>8,888</u>	<u>28,489</u>
CHANGE IN NET DEBT FOR YEAR	362,650	2,336,947	1,751,718
NET DEBT, <i>beginning of year</i>	( <u>16,765,761</u> )	( <u>16,765,761</u> )	( <u>18,517,479</u> )
NET DEBT, <i>end of year</i>	<u>\$( 16,403,111)</u>	<u>\$( 14,428,814)</u>	<u>\$( 16,765,761)</u>



# SANDY BAY OJIBWAY FIRST NATION

STATEMENT 4

## CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31

	2015	2014
CASH FLOW FROM		
<i>OPERATING ACTIVITIES</i>		
Cash received from funding and other sources	\$ 35,966,356	\$ 35,543,428
Cash paid to suppliers and employees	( 33,426,038)	( 32,955,164)
	<u>2,540,318</u>	<u>2,588,264</u>
<i>CAPITAL ACTIVITIES</i>		
Acquisition of tangible capital assets and construction in progress	( 1,297,192)	( 738,363)
<i>FINANCING ACTIVITIES</i>		
Proceeds from long term debt	597,309	597,309
Repayment of long term debt	( 947,211)	( 1,469,619)
Repayment obligations under capital lease		( 122,546)
Advances from (to) related parties - net	-	( 7,262)
	<u>( 349,902)</u>	<u>( 1,002,118)</u>
NET INCREASE IN CASH DURING YEAR	893,224	847,783
CASH, <i>beginning of year</i>	<u>2,090,119</u>	<u>1,242,336</u>
CASH, <i>end of year</i>	<u>\$ 2,983,343</u>	<u>\$ 2,090,119</u>
CASH COMPRISED OF		
Cash	\$ 2,365,985	\$ 1,475,094
Restricted cash	282,748	282,748
Term deposits	<u>334,610</u>	<u>332,277</u>
	<u>\$ 2,983,343</u>	<u>\$ 2,090,119</u>

# SANDY BAY OJIBWAY FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2015

### 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	100% owned
- Sandy Bay Aboriginal Skills and Education Training Strategy	100% owned
- Sandy Bay Ojibway First Nation Radio	100% owned
- Sandy Bay Ojibway Smoke Shop	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, 2015

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, 2015

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 "thirteen" 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.

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

Social Services - activities include delivering social programs.

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

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

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.

Smoke Shop - include selling of cigarette and tobacco.

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

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, 2015

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

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 payout's of progressive slot machine jackpots and certain progressive table game payout's. 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.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2015

## 3. PRIOR PERIOD ADJUSTMENT

The Nation entered in to a construction and dykes contract after the 2011 flood in the community. The Nation is of the view that not all the work being claimed by the contractor has been completed, hence the entire amount claimed \$5,997,340 is not payable to the contractor. Since the matter is under litigation and the eventual outcome is not certain at this stage, additional liability of \$552,749 (\$2.5 million accrued in liabilities) has been recorded .

The Nation has pension obligation from 2012/13 and 2013/14, and is currently in arbitration process. The Nation owes pension to members which includes the First Nation's portion, penalties and the employee portion not deducted during this period. An additional liability of \$1,408,000 has been recorded in the books.

The Nation has settled prior year accounts payable but had not adjusted for settlement gains. A gain on settlement of \$205,280 has been recorded.

Based on a financial summary of Sandy Bay Ojibway First Nation accounts payable , the opening balance as of April 1, 2014 for accounts payable was increased and accumulated surplus was decreased by \$1,755,469 to record accounts payable previously unrecorded. As a result of the increase in accounts payable, an additional \$1,755,469 liability was recorded for the year ending March 31, 2014.

The following table outlines the impact of this change on the prior period:

	As previously reported	Increase (Decrease)	Restated
Accounts Payable	\$ 8,714,844	\$	\$ 8,714,844
Add: Record previously unreported claim liability		1,960,749	1,960,749
Less: Adjustment to write off uncleared outstanding balances	<u>-</u>	<u>( 205,280)</u>	<u>( 205,280)</u>
	<u>\$ 8,714,844</u>	<u>\$ 1,755,469</u>	<u>\$ 10,470,313</u>
Revenues, expenditures and accumulated surplus			
Total revenue	\$ 35,097,165	\$ -	\$ 35,097,165
Total expenditures	\$ 35,050,684	\$ -	\$ 35,050,684
Excess of revenue over expenditures	\$ 46,481	\$ -	\$ 46,481
ACCUMULATED SURPLUS, <i>beginning of year</i>	\$ 23,063,610	\$	\$ 23,063,610
Add: Record previously unreported claim liability		( 1,960,749)	( 1,960,749)
Less: Adjustment to write off uncleared outstanding balances	<u>-</u>	<u>205,280</u>	<u>205,280</u>
ACCUMULATED SURPLUS, <i>as restated</i>	23,063,610	( 1,755,469)	21,308,141
Excess of revenue over expenditures	<u>46,481</u>	<u>-</u>	<u>46,481</u>
ACCUMULATED SURPLUS, <i>end of year</i>	<u>\$ 23,110,091</u>	<u>\$ ( 1,755,469)</u>	<u>\$ 21,354,622</u>



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2015

## 4. RESTRICTED CASH

Funds held in trust on behalf of Nation members by the Government of Canada 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 5	2 0 1 4
Ottawa Trust Fund	\$ 22,529	\$ 22,529
Band Trust Account	<u>260,219</u>	<u>260,219</u>
Trust Balance, end of year	<u>\$ 282,748</u>	<u>\$ 282,748</u>

## 5. ACCOUNTS RECEIVABLE

	2 0 1 5	2 0 1 4
A.A.N.D.C.		
Band	\$ 22,957	\$ 185,393
Health Canada - FNIHB		47,607
Goods and services tax	41,969	53,407
Member receivable	231,945	218,919
Trade and other	<u>232,960</u>	<u>241,953</u>
Subtotal	529,831	747,279
Less: Allowance for doubtful accounts	<u>( 243,169)</u>	<u>( 355,533)</u>
	<u>\$ 286,662</u>	<u>\$ 391,746</u>

## 6. BANK INDEBTEDNESS

Sandy Bay Ojibway First Nation has an approved line of credit of \$500,000. 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, 2015 Sandy Bay Ojibway First Nation had not withdrawn funds under this facility.

## 7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2 0 1 5	2 0 1 4
A.A.N.D.C.	\$ 106,493	\$ 235,250
Government remittance payable	6,486	1,022,325
Health Canada	550,000	550,000
Trade and other	9,134,963	8,437,917
Trust payables	<u>111,759</u>	<u>224,821</u>
	<u>\$ 9,909,701</u>	<u>\$ 10,470,313</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2015

## 8. UNEXPENDED FUNDING

	2 0 1 5	2 0 1 4
A.A.N.D.C.		
Fire truck purchase		272,355
Water pump purchase		61,568
Water truck purchase		136,036
Septic truck purchase		110,363
Community Building repairs	-	<u>2,792</u>
		583,114
Others		
Aboriginal Skill and Development Authority	<u>226,480</u>	<u>200,630</u>
	<u>\$ 226,480</u>	<u>\$ 783,744</u>

## 9. LONG TERM DEBT

	2 0 1 5	2 0 1 4
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.	\$ 384,010	\$ 428,491
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.	926,476	970,476
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.	1,419,294	1,480,426
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.	1,204,560	1,256,443
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.	866,956	899,678



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2015

9. LONG TERM DEBT *(continued)*

	2015	2014
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.	1,396,064	1,439,658
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.	258,971	305,800
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.	<u>1,106,307</u>	<u>1,131,568</u>
	<u>\$ 7,562,638</u>	<u>\$ 7,912,540</u>

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

March 31, 2016	\$ 361,313
2017	358,581
2018	367,373
2019	376,416
2020	381,105



# SANDY BAY OJIBWAY FIRST NATION

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2015

### 10. TANGIBLE CAPITAL ASSETS

	Cost				Accumulated Amortization				Net Book Value	
	Opening Balance	Additions	Disposals, Write-offs & Adjustments	Closing Balance	Opening Balance	Amortization	Disposals, Write-offs & Adjustments	Closing Balance	Total 2015	Total 2014
Construction in Progress (Note 18)	\$ 7,782,850	\$ 68,362	\$	\$ 7,851,212	\$	\$	\$	\$	\$ 7,851,212	\$ 7,782,850
Land	33,884			33,884					33,884	33,884
Road and Lights	28,002,500			28,002,500	21,143,263	700,324		21,843,587	6,158,913	6,859,237
Water and Wastewater	2,153,321			2,153,321	1,328,259	70,948		1,399,207	754,114	825,062
Commercial Buildings	6,800,332	84,363		6,884,695	4,162,934	218,974		4,381,908	2,502,787	2,637,398
Residential Buildings	23,953,325			23,953,325	5,917,012	662,403		6,579,415	17,373,910	18,036,313
Equipment	3,610,538	195,538	20,000	3,786,076	2,373,020	227,249	-	2,600,269	1,185,807	1,237,518
Automotive	2,228,004	948,929	30,491	3,146,442	1,579,950	193,846	-	1,773,796	1,372,646	648,054
	<u>\$ 74,564,754</u>	<u>\$ 1,297,192</u>	<u>\$ 50,491</u>	<u>\$ 75,811,455</u>	<u>\$ 36,504,438</u>	<u>\$ 2,073,744</u>	<u>\$ -</u>	<u>\$ 38,578,182</u>	<u>\$ 37,233,273</u>	<u>\$ 38,060,316</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2015

## 11. CONTINGENT LIABILITIES

- The Organization receives funding from various government agencies based on specified program needs and budgets and allocates certain expenses to the various programs. In many cases the funding agent has the right to review the accounting records to ensure compliance with the terms and conditions of their agreements. At this time no estimate of the requirements, if any, to reimburse the agencies can be made.
- A claim for \$32,432 for the management services has been filed with the First Nation by the former contractor of the Smoke Shop. The First Nation is counter suing the claim for the contractual obligations were not fulfilled by the contractor. The eventual outcome of the matter is uncertain, and First Nation believe that the matter will eventually be settled in their favour, no liability for \$32,432 has accrued for this claim.
- A national accounting firm has conducted an audit of funding agreements between Aboriginal Affairs and Northern Development Canada and The First Nation for the years 2012/13 and 2013/14. There may be a potential recovery by AANDC for between \$500,000 to \$1,125,000. The likelihood of loss is uncertain at this point of time, pending the outcome of the report, thus, no liability has been accrued to reflect this potential recovery of funds.

## 12. RECONCILIATION OF ABORIGINAL AFFAIRS AND NORTHERN DEVELOPMENT CANADA REVENUE

	2015	2014
AANDC funding as per agreement #1314-05-000052	\$ <u>22,369,525</u>	\$ <u>21,844,314</u>
TOTAL A.A.N.D.C. REVENUE PER FINANCIAL STATEMENTS	\$ <u>22,369,525</u>	\$ <u>21,844,314</u>

## 13. 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.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2015

## 14. 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, 2015 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	2015	2014
Balance, beginning of the year	\$ 889,422	\$ 250,924	\$ 1,140,346	\$ 1,095,148
Allocation for the year	126,380	21,796	148,176	137,042
Prior period adjustment	-	-	-	(6,132)
	<u>\$ 1,015,802</u>	<u>\$ 272,720</u>	<u>\$ 1,288,522</u>	<u>\$ 1,226,058</u>

## 15. 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.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2015

## 16. EXPENSES BY OBJECT

The following is a summary of expenses by object:

	2 0 1 5	2 0 1 4
Amortization	\$ 2,073,744	\$ 2,442,225
Bank and interest charges	297,969	430,192
Contract services	727,014	1,291,785
Cost of sales	1,478,613	294,476
Donation	334,585	123,432
Fuel	526,132	575,270
Insurance	381,660	344,488
Material and supplies	461,930	337,408
Others	2,190,725	1,967,610
Professional fees	1,584,667	2,819,814
Repair and maintenance	751,745	457,444
Salaries and benefits	12,982,453	13,231,446
Social assistance	8,480,452	7,818,391
Telecommunication	145,397	163,514
Training and workshop	1,466,720	1,648,706
Travel	494,236	718,138
Utilities	<u>539,478</u>	<u>386,345</u>
	<u>\$ 34,917,520</u>	<u>\$ 35,050,684</u>

## 17. COMPARATIVE FIGURES

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

## 18. 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, 2015. 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, 2015 \$7,851,212 (2014 - \$7,782,850) has been invested into this project.

# SANDY BAY OJIBWAY FIRST NATION

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 31

### 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	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Revenues										
Federal Government										
AANDC	\$ 1,478,962	\$ 1,588,732	\$ 2,950,657	\$ 2,923,827	\$ 9,298,020	\$ 9,065,909	\$ 276,589	\$ 276,589	\$ 8,113,450	\$ 7,723,410
FNIHB	-	-	-	-	-	-	-	-	-	-
CMHC	-	-	-	-	-	-	-	-	-	-
Subtotal	1,478,962	1,588,732	2,950,657	2,923,827	9,298,020	9,065,909	276,589	276,589	8,113,450	7,723,410
Other revenue	1,182,910	99,507	1,550,854	40,582	35,197	9,473	-	-	7,840	22,686
Total revenue	2,661,872	1,688,239	4,501,511	2,964,409	9,333,217	9,075,382	276,589	276,589	8,121,290	7,746,096
Expenses										
Amortization		5,031	929,731	1,120,843	86,389	133,042				
Debt servicing	88,534	215,362	4,458							
Salaries and benefits	1,010,442	915,793	1,168,128	1,226,449	6,099,718	6,745,197			145,756	138,086
Other	1,402,153	690,688	2,259,242	1,554,380	2,583,321	2,306,552	19,999	9,520	8,017,846	7,345,344
Total expenses	2,501,129	1,826,874	4,361,559	3,901,672	8,769,428	9,184,791	19,999	9,520	8,163,602	7,483,430
Surplus (Deficit)	\$ 160,743	\$ (138,635)	\$ 139,952	\$ (937,263)	\$ 563,789	\$ (109,409)	\$ 256,590	\$ 267,069	\$ (42,312)	\$ 262,666



# SANDY BAY OJIBWAY FIRST NATION

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 31

### 19. SEGMENT DISCLOSURE (continued)

	Housing Authority		Other services		Tobacco Tax		Bulk Fuel		VLT	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Revenues										
Federal Government CMHC	<u>363,938</u>	<u>328,441</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>363,938</u>	<u>328,441</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other revenue	<u>441,230</u>	<u>-</u>	<u>524,225</u>	<u>3,079,168</u>	<u>1,250,539</u>	<u>1,048,346</u>	<u>97,274</u>	<u>2,755</u>	<u>2,080,632</u>	<u>3,164,245</u>
Total revenue	<u>805,168</u>	<u>328,441</u>	<u>524,225</u>	<u>3,079,168</u>	<u>1,250,539</u>	<u>1,048,346</u>	<u>97,274</u>	<u>2,755</u>	<u>2,080,632</u>	<u>3,164,245</u>
Expenses										
Amortization	850,356	993,847					34,712	8,799	34,000	33,400
Debt servicing	191,782	201,766	2,241		166		940		3,796	
Salaries and benefits	142,414	183,900	275,790	340,308					701,739	580,661
Other	<u>358,533</u>	<u>579,464</u>	<u>338,102</u>	<u>251,651</u>	<u>802,319</u>	<u>1,539,992</u>	<u>118,216</u>	<u>1,002,356</u>	<u>1,085,477</u>	<u>1,084,882</u>
Total expenses	<u>1,543,085</u>	<u>1,958,977</u>	<u>616,133</u>	<u>591,959</u>	<u>802,485</u>	<u>1,539,992</u>	<u>153,868</u>	<u>1,011,155</u>	<u>1,825,012</u>	<u>1,698,943</u>
Surplus (Deficit)	<u>\$( 737,917)</u>	<u>\$( 1,630,536)</u>	<u>\$( 91,908)</u>	<u>\$ 2,487,209</u>	<u>\$ 448,054</u>	<u>\$( 491,646)</u>	<u>\$( 56,594)</u>	<u>\$( 1,008,400)</u>	<u>\$ 255,620</u>	<u>\$ 1,465,302</u>

# SANDY BAY OJIBWAY FIRST NATION

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 31

### 19. SEGMENT DISCLOSURE (continued)

	ASETS		Smoke shop		Medical services		TOTAL	
	2015	2014	2015	2014	2015	2014	2015	2014
Revenues								
Federal Government								
AANDC	\$ -	\$ -	\$ -	\$ -	\$ 251,847	\$ 265,847	\$ 22,369,525	\$ 21,844,314
FNIHB	-	-	-	-	4,041,794	3,735,820	4,041,794	3,735,820
CMHC	-	-	-	-	-	-	363,938	328,441
Subtotal	-	-	-	-	4,293,641	4,001,667	26,775,257	25,908,575
Other revenue	<u>1,532,704</u>	<u>1,261,537</u>	<u>886,209</u>	<u>390,069</u>	<u>53,665</u>	<u>70,222</u>	<u>9,643,279</u>	<u>9,188,590</u>
Total revenue	<u>1,532,704</u>	<u>1,261,537</u>	<u>886,209</u>	<u>390,069</u>	<u>4,347,306</u>	<u>4,071,889</u>	<u>36,418,536</u>	<u>35,097,165</u>
Expenses								
Amortization		16,741	6,098		132,458	130,523	2,073,744	2,442,225
Debt servicing	3,776		1,097		1,179		297,969	417,128
Salaries and benefits	724,008	615,227	145,741	26,349	2,568,717	2,459,476	12,982,453	13,231,446
Other	<u>804,050</u>	<u>601,747</u>	<u>804,656</u>	<u>289,446</u>	<u>969,440</u>	<u>1,703,862</u>	<u>19,563,354</u>	<u>18,959,884</u>
Total expenses	<u>1,531,834</u>	<u>1,233,715</u>	<u>957,592</u>	<u>315,795</u>	<u>3,671,794</u>	<u>4,293,861</u>	<u>34,917,520</u>	<u>35,050,683</u>
Surplus (Deficit)	<u>\$ 870</u>	<u>\$ 27,822</u>	<u>\$ ( 71,383)</u>	<u>\$ 74,274</u>	<u>\$ 675,512</u>	<u>\$ ( 221,972)</u>	<u>\$ 1,501,016</u>	<u>\$ 46,481</u>



## 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 public sector accounting standards. 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.

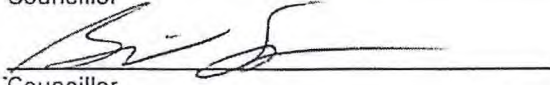
The external auditors, Collins Barrow HMA LLP, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of Sandy Bay Ojibway First Nation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



Chief



Councillor



Councillor

Councillor

Councillor

Councillor

Councillor

Councillor