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# SANDY BAY OJIBWAY FIRST NATION

## CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016

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# SANDY BAY OJIBWAY FIRST NATION

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MARCH 31, 2016

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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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## **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, 2016, 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**

Sandy Bay Housing Authority Inc.

Due to the 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, 2016, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*Collins Barrow HMA LLP*  
Chartered Professional Accountants

Winnipeg, Manitoba  
October 14, 2016

# SANDY BAY OJIBWAY FIRST NATION

STATEMENT 1

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MARCH 31

	2016	2015
<b>FINANCIAL ASSETS</b>		
Cash	\$ 4,478,570	\$ 2,365,985
Restricted cash (Note 4)	24,907	282,748
Term deposits	336,647	334,610
Accounts receivable (Note 5)	<u>646,228</u>	<u>372,325</u>
Total financial assets	<u>5,486,352</u>	<u>3,355,668</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 7)	7,194,144	8,648,378
Unexpended funding (Note 8)	295,595	226,480
Long-term debt (Note 9)	<u>9,743,596</u>	<u>7,562,638</u>
Total liabilities	<u>17,233,335</u>	<u>16,437,496</u>
Net debt	<u>(11,746,983)</u>	<u>(13,081,828)</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 10)	37,728,920	37,233,273
Inventory	31,488	41,181
Prepaid expenses	<u>-</u>	<u>10,000</u>
Total non-financial assets	<u>37,760,408</u>	<u>37,284,454</u>
Accumulated surplus	\$ <u>26,013,425</u>	\$ <u>24,202,626</u>
Contingent liabilities (Note 11)		

Approved on behalf of Chief and 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

	BUDGET (UNAUDITED)	2016	2015 (Restated)
<b>REVENUE</b>			
Indigenous and Northern Affairs Canada	\$ 22,452,872	\$ 21,684,141	\$ 22,369,525
Health Canada	3,942,981	4,469,992	4,041,794
First People Development Inc		1,799,000	1,484,835
Canada Mortgage and Housing Corporation	2,018,857	503,298	363,938
Contributions from band entities and sundry	4,074,997	5,700,646	4,303,753
Gaming Revenue	2,385,050	3,005,993	2,467,005
Province of Manitoba	192,507	1,106,615	1,155,749
Rental Income	302,000	289,753	317,601
Manitoba Hydro	-	32,475	-
	<u>35,369,264</u>	<u>38,591,913</u>	<u>36,504,200</u>
<b>EXPENDITURES</b>			
Band government	2,478,358	2,587,913	2,482,545
Community services	2,524,233	4,051,301	4,375,286
Education services	9,257,942	8,566,435	8,774,286
Economics development	480,464	217,506	19,999
Social services	7,759,779	7,724,676	8,163,602
Housing authority	2,694,672	1,624,752	1,543,085
Other services	491,862	1,089,376	616,133
Tobacco tax	706,720	1,119,204	802,485
Bulk fuel	416,450	456,011	153,868
Video lottery terminal	3,014,790	2,252,327	1,868,516
Aboriginal skills and employment training		2,215,183	1,531,834
Smoke Shop		848,627	957,592
Medical services	<u>4,673,317</u>	<u>4,027,803</u>	<u>3,671,792</u>
	<u>34,498,587</u>	<u>36,781,114</u>	<u>34,961,023</u>
ANNUAL SURPLUS	870,677	1,810,799	1,543,177
ACCUMULATED SURPLUS, <i>beginning of year</i>	24,202,626	24,202,626	21,354,622
Prior period adjustment ( <i>Note 3</i> )	-	-	1,304,827
ACCUMULATED SURPLUS, <i>end of year</i>	<u>\$ 25,073,303</u>	<u>\$ 26,013,425</u>	<u>\$ 24,202,626</u>

# SANDY BAY OJIBWAY FIRST NATION

STATEMENT 3

## CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT

YEAR ENDED MARCH 31

	BUDGET (UNAUDITED)	2 0 1 6	2 0 1 5 (Restated)
Annual surplus	\$ <u>870,677</u>	\$ <u>1,810,799</u>	\$ <u>1,543,177</u>
Acquisition of tangible capital assets and construction in progress		( <u>2,877,409</u> )	( <u>1,297,192</u> )
Proceeds on sale of tangible capital assets		<u>15,605</u>	<u>50,491</u>
Amortization of tangible capital assets	<u>-</u>	<u>2,366,157</u>	<u>2,073,744</u>
	<u>-</u>	( <u>495,647</u> )	<u>827,043</u>
Acquisition of supplies and inventories		( <u>31,488</u> )	( <u>41,181</u> )
Acquisition of prepaid expenses			( <u>10,000</u> )
Use of supplies and inventories		<u>41,181</u>	<u>50,069</u>
Use of prepaid expenses	<u>-</u>	<u>10,000</u>	<u>10,000</u>
	<u>-</u>	<u>19,693</u>	<u>8,888</u>
CHANGE IN NET DEBT FOR YEAR	870,677	1,334,845	2,379,108
NET DEBT, <i>beginning of year</i>	( <u>13,081,828</u> )	( <u>13,081,828</u> )	( <u>15,460,936</u> )
NET DEBT, <i>end of year</i>	\$ ( <u>12,211,151</u> )	\$ ( <u>11,746,983</u> )	\$ ( <u>13,081,828</u> )



# SANDY BAY OJIBWAY FIRST NATION

STATEMENT 4

## CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31

	2016	2015
CASH FLOW FROM		
OPERATING ACTIVITIES		
Cash received from funding and other sources	\$ 38,387,125	\$ 35,966,356
Cash paid to suppliers and employees	( 35,849,498)	( 33,426,038)
	<u>2,537,627</u>	<u>2,540,318</u>
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets and construction in progress	( 2,877,409)	( 1,297,192)
Sale of tangible capital assets	<u>15,605</u>	<u>-</u>
	<u>( 2,861,804)</u>	<u>( 1,297,192)</u>
FINANCING ACTIVITIES		
Proceeds from long term debt	2,539,155	597,309
Repayment of long term debt	( 358,197)	( 947,211)
	<u>2,180,958</u>	<u>( 349,902)</u>
NET INCREASE IN CASH DURING YEAR	1,856,781	893,224
CASH, beginning of year	<u>2,983,343</u>	<u>2,090,119</u>
CASH, end of year	<u>\$ 4,840,124</u>	<u>\$ 2,983,343</u>
CASH COMPRISED OF		
Cash	\$ 4,478,570	\$ 2,365,985
Restricted cash	24,907	282,748
Term deposits	<u>336,647</u>	<u>334,610</u>
	<u>\$ 4,840,124</u>	<u>\$ 2,983,343</u>

# SANDY BAY OJIBWAY FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016

### 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, 2016****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	4-40 years straight line basis
Residential Buildings	15-40 years straight line basis
Equipment	3-15 years straight line basis
Automotive	5-10 years straight line basis

In the year of acquisition, amortization is taken at one-half of the estimated useful life.

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, 2016**

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**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, 2016**

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**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, 2016

## 3. PRIOR PERIOD ADJUSTMENT

The Nation has settled prior year accounts payable but had not adjusted for settlement gains. A gain on the settlement of \$1,304,827 has been recorded.

Based on a financial summary of Sandy Bay Ojibway First Nation accounts payable, the opening balance as of April 1, 2015 for accounts payable was decreased and accumulated surplus was increased by \$1,304,827 to record the accounts payable settlement gain.

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

	As previously reported	Increase (Decrease)	Restated
Accounts Payable	\$ 9,953,205	\$	\$ 9,953,205
Less: Adjustment to write off uncleared outstanding balances	<u>-</u>	<u>( 1,304,827)</u>	<u>( 1,304,827)</u>
	<u>\$ 9,953,205</u>	<u>\$ ( 1,304,827)</u>	<u>\$ 8,648,378</u>
Revenues, expenditures and accumulated surplus			
Total revenue	\$ 36,504,200	\$ -	\$ 36,504,200
Total expenditures	\$ 34,961,023	\$ -	\$ 34,961,023
Excess of revenue over expenditures	\$ 1,543,177	\$ -	\$ 1,543,177
ACCUMULATED SURPLUS, <i>beginning of year</i>	\$ 21,354,622	\$ -	\$ 21,354,622
Less: Adjustment to write off uncleared outstanding balances	<u>-</u>	<u>1,304,827</u>	<u>1,304,827</u>
ACCUMULATED SURPLUS, <i>as restated</i>	21,354,622	1,304,827	22,659,449
Excess of revenue over expenditures	<u>1,543,177</u>	<u>-</u>	<u>1,543,177</u>
ACCUMULATED SURPLUS, <i>end of year</i>	<u>\$ 22,897,799</u>	<u>\$ 1,304,827</u>	<u>\$ 24,202,626</u>



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016

### 4. RESTRICTED CASH

Funds held in trust on behalf of the Nation's 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 6	2 0 1 5
Ottawa Trust Fund	\$ 24,907	\$ 22,529
Band Trust Account		<u>260,219</u>
Trust Balance, end of year	<u>\$ 24,907</u>	<u>\$ 282,748</u>

### 5. ACCOUNTS RECEIVABLE

	2 0 1 6	2 0 1 5
I.N.A.C.		
Band	\$ 96,766	\$ 22,957
CMHC	78,630	
Province of Manitoba	136,163	85,663
Goods and services tax	52,093	41,969
Member receivable	232,061	231,945
Trade and other	<u>297,100</u>	<u>232,960</u>
Subtotal	892,813	615,494
Less: Allowance for doubtful accounts	( 246,585)	( 243,169)
	<u>\$ 646,228</u>	<u>\$ 372,325</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, 2016 Sandy Bay Ojibway First Nation had not withdrawn funds under this facility.

### 7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2 0 1 6	2 0 1 5
I.N.A.C.	\$ 48,750	\$ 106,493
Government remittances payable	12,802	6,486
Health Canada	600,248	550,000
Trade and accrued liabilities	6,429,207	7,873,640
Trust payables	<u>103,137</u>	<u>111,759</u>
	<u>\$ 7,194,144</u>	<u>\$ 8,648,378</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016

### 8. UNEXPENDED FUNDING

	2 0 1 6	2 0 1 5
I.N.A.C.		
Community economic development program	226,520	
Others		
Aboriginal Skill and Employment Training Strategy	69,075	226,480
	<u>\$ 295,595</u>	<u>\$ 226,480</u>

### 9. LONG TERM DEBT

	2 0 1 6	2 0 1 5
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.	\$ 338,662	\$ 384,010
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.	881,790	926,476
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.	1,356,924	1,419,294
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.	1,151,626	1,204,560
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.	833,785	866,956
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.	1,351,485	1,396,064

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016

### 9. LONG TERM DEBT *(continued)*

	2016	2015
Canada Mortgage and Housing Corporation - 10 unit mortgage bearing interest at 1.04% per annum, repayable at \$5,633 per month including interest. The mortgage matures on March 1, 2041 with a renewal date of March 1, 2021 and is secured by a ministerial guarantee and assignment of fire insurance.	1,489,165	
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.	210,269	258,971
Peace Hills Trust Loan bearing interest at 5% per annum, repayable at \$6,698 per month including interest. The loan will mature 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 \$900,000 and an assignment of fire, all risks and perils insurance.	1,079,900	1,106,307
Peace Hills Trust Loan bearing interest at 6.45% per annum, repayable at \$27,564 per month including interest. The loan will mature on February 1, 2019 and was secured by a first ranking general security agreement over all fixed and floating assets including future acquired property of Sandy Bay Ojibway First Nation, a demand promissory note for \$900,000, assignment of monies, and an assignment of fire, all risks and perils insurance.	876,790	
Peace Hills Trust Loan bearing interest at 6.50% per annum, repayable at \$1,756 per month including interest. The loan will mature on April 1, 2017 and was secured by a first ranking general security agreement over all fixed and floating assets including future acquired property of Sandy Bay Ojibway First Nation, a demand promissory note for \$173,200, assignment of monies, and an assignment of fire, all risks and perils insurance.	173,200	-
	<u>\$ 9,743,596</u>	<u>\$ 7,562,638</u>

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

March 31, 2017	\$ 390,786
2018	399,093
2019	407,605
2020	411,635
2021	366,186

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2016**

**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 2016	Total 2015
Construction in Progress (Note 18)	\$ 7,851,212	\$ 441,094	\$	\$ 8,292,306	\$	\$	\$	\$	\$ 8,292,306	\$ 7,851,212
Land	33,884			33,884					33,884	33,884
Road and Lights	28,002,500	271,500		28,274,000	21,843,587	800,896		22,644,483	5,629,517	6,158,913
Water and Wastewater	2,153,321			2,153,321	1,399,207	70,948		1,470,155	683,166	754,114
Commercial Buildings	6,884,695			6,884,695	4,381,908	226,800		4,608,708	2,275,987	2,502,787
Residential Buildings	23,953,325	1,824,327		25,777,652	6,579,415	971,978		7,551,393	18,226,259	17,373,910
Equipment	3,786,076	140,992	49,220	3,877,848	2,600,269	106,129	47,390	2,659,008	1,218,840	1,185,807
Automotive	3,146,442	199,496	43,499	3,302,439	1,773,796	189,406	29,724	1,933,478	1,368,961	1,372,646
	<u>\$ 75,811,455</u>	<u>\$ 2,877,409</u>	<u>\$ 92,719</u>	<u>\$ 78,596,145</u>	<u>\$ 38,578,182</u>	<u>\$ 2,366,157</u>	<u>\$ 77,114</u>	<u>\$ 40,867,225</u>	<u>\$ 37,728,920</u>	<u>\$ 37,233,273</u>



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016

### 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 \$343,876.25 for the management services has been filed at the Manitoba Court of Queen's Bench against the Nation by the former contractor of the Smoke Shop. The First Nation is counter suing the claim for the contractual obligations as they were not fulfilled by the contractor. The eventual outcome of the matter is uncertain, and the Nation believes that the matter will eventually be settled in their favour. No liability for \$343,876.25 has accrued for this claim.
- A claim for \$129,442.50 for work completed and materials delivered under a contract has been filed at the Manitoba Court of Queen's Bench against the Nation by a former contractor. The Nation is disputing the amount as unverifiable. The eventual outcome of the matter is uncertain. No liability for \$129,442.50 has accrued for this claim.
- The Nation owes \$878,953.82 to Sandy Bay Health Centre, which will eventually be paid out to Health Canada for loans received in the past. However, there is a counter amount for infrastructure services it provided which is currently being reviewed. Once that counter amount is determined, the Nation will be in a position to prepare a settlement payment to the Health Centre.
- A national accounting firm has conducted an audit of funding agreements between Indigenous and Northern Affairs Canada and the Nation for the years 2012/13 and 2013/14. There may be a potential recovery by I.N.A.C. 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 INDIGENOUS AND NORTHERN AFFAIRS CANADA

	2016	2015
INAC funding as per agreement #1314-05-000052	\$ 21,910,661	\$ 22,369,525
Less: Revenue deferred to subsequent year- Community economic development program	( 226,520)	-
<b>TOTAL I.N.A.C. REVENUE PER FINANCIAL STATEMENTS</b>	<b>\$ <u>21,684,141</u></b>	<b>\$ <u>22,369,525</u></b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016

### 13. ECONOMIC DEPENDENCE

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

### 14. REPLACEMENT RESERVES

Under the terms of the operating agreements with CMHC, the Replacement Reserve is to be credited with an annual allocation of \$127,047. 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, 2016 the replacement reserve was funded short by \$251,120.

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	Health Canada	2 0 1 6	2 0 1 5
Balance, beginning of the year	\$ 1,015,802	\$ 272,720	\$ 1,288,522	\$ 1,140,346
Allocation for the year	127,047	22,138	149,185	148,176
Replacements during the year	-	( 74,996)	( 74,996)	-
	<u>\$ 1,142,849</u>	<u>\$ 219,862</u>	<u>\$ 1,362,711</u>	<u>\$ 1,288,522</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, 2016

### 16. EXPENSES BY OBJECT

The following is a summary of expenses by object:

	2016	2015
Amortization	\$ 2,366,158	\$ 2,073,744
Bank and interest charges	349,072	297,969
Contract services	1,607,345	739,853
Cost of sales	2,124,185	1,478,613
Donation	40,059	329,065
Fuel	407,046	526,132
Insurance	413,383	381,660
Material and supplies	789,568	525,412
Other	1,952,463	2,127,900
Professional fees	1,820,099	1,570,808
Repair and maintenance	355,228	755,573
Salaries and benefits	13,001,150	12,982,453
Social assistance	7,557,683	7,164,296
Telecommunication	137,937	145,397
Training and workshop	1,503,195	1,452,196
Travel	636,900	494,236
Utilities	1,719,643	1,915,716
	<u>\$ 36,781,114</u>	<u>\$ 34,961,023</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, 2016. The estimated total cost and date of completion is unknown at this time. The project is expected to be funded by I.N.A.C. As at March 31, 2016 \$8,292,306 (2015 - \$7,851,212) has been invested into this project.

**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 to the financial statements. The segment results for the year are as follows:

	Band Government		Community Services		Education Services		Economic Development		Social Services	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenue										
Federal Government										
INAC	\$ 1,554,182	\$ 1,478,962	\$ 2,929,537	\$ 2,950,657	\$ 9,021,837	\$ 9,298,020	\$ 177,969	\$ 276,589	\$ 7,734,769	\$ 8,113,450
FNIHB										
CMHC	-	-	134,000	-	-	-	-	-	-	-
Subtotal	1,554,182	1,478,962	3,063,537	2,950,657	9,021,837	9,298,020	177,969	276,589	7,734,769	8,113,450
Other revenue	1,195,042	1,182,910	1,054,768	1,550,854	585,442	35,197	39,537	-	8,734	7,840
Total revenue	<u>2,749,224</u>	<u>2,661,872</u>	<u>4,118,305</u>	<u>4,501,511</u>	<u>9,607,279</u>	<u>9,333,217</u>	<u>217,506</u>	<u>276,589</u>	<u>7,743,503</u>	<u>8,121,290</u>
Expenses										
Amortization			1,103,090	929,731	83,196	86,389				
Debt servicing	131,533	88,534		4,458	5,151				8,939	
Salaries and benefits	1,189,992	1,010,442	804,639	1,168,128	6,257,353	6,099,718	4,680		142,549	145,756
Other	1,266,388	1,383,569	2,143,572	2,272,969	2,220,735	2,588,179	212,826	19,999	7,573,188	8,017,846
Total expenses	<u>2,587,913</u>	<u>2,482,545</u>	<u>4,051,301</u>	<u>4,375,286</u>	<u>8,566,435</u>	<u>8,774,286</u>	<u>217,506</u>	<u>19,999</u>	<u>7,724,676</u>	<u>8,163,602</u>
Surplus (Deficit)	\$ <u>161,311</u>	\$ <u>179,327</u>	\$ <u>67,004</u>	\$ <u>126,225</u>	\$ <u>1,040,844</u>	\$ <u>558,931</u>	\$ <u>-</u>	\$ <u>256,590</u>	\$ <u>18,827</u>	\$ <u>(42,312)</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**YEAR ENDED MARCH 31**

**19. SEGMENT DISCLOSURE (continued)**

	Housing Authority		Other services		Tobacco Tax		Bulk Fuel		VLT	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenue										
Federal Government										
CMHC	<u>369,298</u>	<u>363,938</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>369,298</u>	<u>363,938</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other revenue	<u>818,532</u>	<u>441,230</u>	<u>980,990</u>	<u>524,225</u>	<u>1,176,829</u>	<u>1,336,203</u>	<u>469,216</u>	<u>97,274</u>	<u>2,258,687</u>	<u>2,080,632</u>
Total revenue	<u>1,187,830</u>	<u>805,168</u>	<u>980,990</u>	<u>524,225</u>	<u>1,176,829</u>	<u>1,336,203</u>	<u>469,216</u>	<u>97,274</u>	<u>2,258,687</u>	<u>2,080,632</u>
Expenses										
Amortization	971,978	850,356					34,712	34,712	31,120	34,000
Debt servicing	184,835	191,782	2,707	2,241	257	166	6,770	940	3,744	3,796
Salaries and benefits	177,806	142,414	336,193	275,790					638,140	701,739
Other	<u>290,133</u>	<u>358,533</u>	<u>750,476</u>	<u>338,102</u>	<u>1,118,947</u>	<u>802,319</u>	<u>414,529</u>	<u>118,216</u>	<u>1,579,323</u>	<u>1,128,981</u>
Total expenses	<u>1,624,752</u>	<u>1,543,085</u>	<u>1,089,376</u>	<u>616,133</u>	<u>1,119,204</u>	<u>802,485</u>	<u>456,011</u>	<u>153,868</u>	<u>2,252,327</u>	<u>1,868,516</u>
Surplus (Deficit)	<u>\$ ( 436,922)</u>	<u>\$ ( 737,917)</u>	<u>\$ ( 108,386)</u>	<u>\$ ( 91,908)</u>	<u>\$ 57,625</u>	<u>\$ 533,718</u>	<u>\$ 13,205</u>	<u>\$ ( 56,594)</u>	<u>\$ 6,360</u>	<u>\$ 212,116</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**YEAR ENDED MARCH 31**

**19. SEGMENT DISCLOSURE (continued)**

	ASETS		Smoke Shop		Medical services		TOTAL	
	2016	2015	2016	2015	2016	2015	2016	2015
Revenue								
Federal Government								
AANDC	\$	\$	\$	\$	\$ 265,847	\$ 251,847	\$ 21,684,141	\$ 22,369,525
FNIHB					4,469,992	4,041,794	4,469,992	4,041,794
CMHC	-	-	-	-	-	-	503,298	363,938
Subtotal	-	-	-	-	4,735,839	4,293,641	26,657,431	26,775,257
Other revenue	2,233,991	1,532,704	758,820	886,209	353,894	53,665	11,934,482	9,728,943
Total revenue	2,233,991	1,532,704	758,820	886,209	5,089,733	4,347,306	38,591,913	36,504,200
Expenses								
Amortization	10,674		5,680	6,098	125,708	132,458	2,366,158	2,073,744
Debt servicing	4,913	3,776	223	1,097		1,179	349,072	297,969
Salaries and benefits	786,647	724,008	135,323	145,741	2,527,828	2,568,717	13,001,150	12,982,453
Other	1,412,949	804,050	707,401	804,656	1,374,267	969,438	21,064,734	19,606,857
Total expenses	2,215,183	1,531,834	848,627	957,592	4,027,803	3,671,792	36,781,114	34,961,023
Surplus (Deficit)	\$ 18,808	\$ 870	\$ (89,807)	\$ (71,383)	\$ 1,061,930	\$ 675,514	\$ 1,810,799	\$ 1,543,177