
SANDY BAY OJIBWAY FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2017

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SANDY BAY OJIBWAY FIRST NATION

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MARCH 31, 2017

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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.

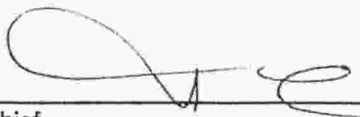
The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Financial statements are not precise, since they include certain amounts based on estimates and judgements. When alternative accounting methods exist, management has 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 systems 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



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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, 2017, 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 recorded revenue, expenditures, tangible capital assets, accounts receivable and accounts payable for Sandy Bay Housing Authority Inc. in these consolidated financial statements.



Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion Paragraph, the financial statements present fairly, in all material respects, the financial position of the Sandy Bay Ojibway First Nation as at March 31, 2017, 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
January 4, 2018

SANDY BAY OJIBWAY FIRST NATION

STATEMENT 1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MARCH 31

	2017	2016
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FINANCIAL ASSETS

Cash and cash equivalents	\$ 6,017,611	\$ 4,478,570
Restricted cash (Note 4)	25,671	24,907
Term deposits	337,910	336,647
Accounts receivable (Note 5)	<u>1,751,830</u>	<u>646,228</u>
Total financial assets	<u>8,133,022</u>	<u>5,486,352</u>

LIABILITIES

Accounts payable and accrued liabilities (Note 7)	7,434,557	7,448,975
Unexpended funding (Note 8)	2,946,927	295,595
Long term debt (Note 9)	<u>8,940,940</u>	<u>9,743,596</u>
Total liabilities	<u>19,322,424</u>	<u>17,488,166</u>
Net debt	<u>(11,189,402)</u>	<u>(12,001,814)</u>

NON-FINANCIAL ASSETS

Tangible capital assets (Note 10)	36,221,147	37,728,920
Inventory	<u>50,729</u>	<u>31,488</u>
Total non-financial assets	<u>36,271,876</u>	<u>37,760,408</u>
Accumulated surplus	<u>\$ 25,082,474</u>	<u>\$ 25,758,594</u>

Contingent liabilities (Note 11)

Approved on behalf of Chief and Council

Chief

Councillor

Councillor

Councillor

SANDY BAY OJIBWAY FIRST NATION

STATEMENT 2

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

YEAR ENDED MARCH 31

	BUDGET (UNAUDITED)	2017	2016
REVENUE			
Indigenous and Northern Affairs Canada (Note 12)	\$ 27,140,651	\$ 24,987,087	\$ 21,684,141
First Nations and Inuit Health Branch	3,942,981	4,074,237	4,469,992
First Peoples Development Inc		3,206,901	1,799,000
Canada Mortgage and Housing Corporation	418,959	760,357	503,298
Contributions from band entities and sundry	2,787,243	5,125,215	5,700,646
Gaming Revenue	2,420,000	3,439,770	3,005,993
Province of Manitoba	285,507	327,398	1,106,615
Rental Income	252,200	357,945	289,753
Manitoba Hydro	20,000	32,375	32,475
	<u>37,267,541</u>	<u>42,311,285</u>	<u>38,591,913</u>
EXPENDITURES			
Aboriginal Skills and Employment Training		3,011,099	2,215,183
Band Government	2,693,387	2,653,051	2,587,913
Bulk Fuel		332,855	456,011
Community Services	3,392,730	5,374,715	4,051,301
Economic Development	320,589	348,714	217,506
Education Services	10,916,480	11,255,403	8,566,435
Housing Authority	723,578	2,304,572	1,624,752
Medical Services	4,836,497	4,749,622	4,027,803
Other Services	521,310	1,043,782	1,089,376
Smoke Shop		749,523	848,627
Social Services	7,908,281	7,675,687	7,724,676
Tobacco Tax		814,197	1,119,204
Video Lottery Terminal	3,789,542	2,674,185	2,252,327
	<u>35,102,394</u>	<u>42,987,405</u>	<u>36,781,114</u>
ANNUAL SURPLUS (DEFICIT)	2,165,147	(676,120)	1,810,799
ACCUMULATED SURPLUS, beginning of year	<u>25,758,594</u>	<u>25,758,594</u>	<u>24,202,626</u>
Prior period adjustment (Note 3)	-	-	(254,831)
ACCUMULATED SURPLUS, end of year	<u>\$ 27,923,741</u>	<u>\$ 25,082,474</u>	<u>\$ 25,758,594</u>

SANDY BAY OJIBWAY FIRST NATION

STATEMENT 3

CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT

YEAR ENDED MARCH 31

	BUDGET (UNAUDITED)	2 0 1 7	2 0 1 6
Annual surplus (deficit)	\$ 2,165,147	\$ (676,120)	\$ 1,810,799
Acquisition of tangible capital assets and construction in progress		(913,355)	(2,877,409)
Proceeds on sale of tangible capital assets			15,605
Amortization of tangible capital assets	-	2,421,128	2,366,157
	-	1,507,773	(495,647)
Acquisition of supplies and inventories		(50,729)	(31,488)
Use of supplies and inventories		31,488	41,181
Use of prepaid expenses	-	-	10,000
	-	(19,241)	19,693
CHANGE IN NET DEBT FOR YEAR	2,165,147	812,412	1,334,845
NET DEBT, <i>beginning of year</i>	(12,001,814)	(12,001,814)	(13,336,659)
NET DEBT, <i>end of year</i>	\$ (9,836,667)	\$ (11,189,402)	\$ (12,001,814)

SANDY BAY OJIBWAY FIRST NATION

STATEMENT 4

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31

	2017	2016
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CASH FLOW FROM

OPERATING ACTIVITIES

Cash receipts from INAC	\$ 24,987,087	\$ 21,684,141
Cash receipts from FNIHB	4,074,237	4,469,992
Cash received from funding and other sources	14,794,428	12,230,955
Cash paid to suppliers and employees	(40,736,396)	(35,980,184)
Interest paid	<u>136,460</u>	<u>130,686</u>
	<u>3,255,816</u>	<u>2,535,590</u>

INVESTING ACTIVITIES

Acquisition of tangible capital assets and construction in progress	(913,355)	(2,877,409)
Sale of tangible capital assets		15,605
Interest on term deposits	<u>1,263</u>	<u>2,037</u>
	<u>(912,092)</u>	<u>(2,859,767)</u>

FINANCING ACTIVITIES

Proceeds from long-term debt		2,539,155
Repayment of long-term debt	(802,656)	(358,197)
	<u>(802,656)</u>	<u>2,180,958</u>

NET INCREASE IN CASH DURING YEAR	1,541,068	1,856,781
CASH, beginning of year	<u>4,840,124</u>	<u>2,983,343</u>
CASH, end of year	<u>\$ 6,381,192</u>	<u>\$ 4,840,124</u>

CASH COMPRISED OF

Cash and cash equivalents	\$ 4,664,596	\$ 3,487,438
Restricted cash	25,671	24,907
Term deposits	337,910	336,647
Replacement reserve accounts	<u>1,353,015</u>	<u>991,132</u>
	<u>\$ 6,381,192</u>	<u>\$ 4,840,124</u>

SANDY BAY OJIBWAY FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2017

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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2017

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

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. Total contributions for the year were \$409,692 (2016 - \$407,197)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**MARCH 31, 2017**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**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 cigarettes and tobacco products.

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, 2017

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.

3. PRIOR PERIOD ADJUSTMENT

In the prior year, the Sandy Bay Ojibway First Nation Health Centre's vacation pay liability was understated by \$129,613 and the calculated sick leave benefit liability of \$125,217 was not accrued. The correction of this misstatement has resulted in a decrease to the previous year's accumulated surplus and net financial assets of \$254,831.

	As previously reported	Increase (Decrease)	Restated
Statement of Financial Position	\$	\$	\$
Total assets	5,486,352		5,486,352
Total liabilities	<u>17,233,335</u>	<u>254,831</u>	<u>17,488,166</u>
	<u>\$(11,746,983)</u>	<u>\$ 254,831</u>	<u>\$(12,001,814)</u>
Statement of Operations and Accumulated Surplus	\$ -	\$ -	\$ -
Accumulated surplus	<u>\$ 26,013,425</u>	<u>\$(254,831)</u>	<u>\$ 25,758,594</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2017

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.

	2017	2016
Ottawa Trust Fund	\$ <u>25,671</u>	\$ <u>24,907</u>

5. ACCOUNTS RECEIVABLE

	2017	2016
Indigenous and Northern Affairs Canada	\$ 767,348	\$ 96,766
First Nations and Inuit Health Branch	271,537	43,239
Canada Mortgage and Housing Corporation	299,099	78,630
Province of Manitoba	195,487	136,163
Goods and services tax	41,777	52,093
Member receivable	232,061	232,061
Trade and other	<u>176,582</u>	<u>253,861</u>
Subtotal	1,983,891	892,813
Less: Allowance for doubtful accounts	(<u>232,061</u>)	(<u>246,585</u>)
	\$ <u>1,751,830</u>	\$ <u>646,228</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, 2017 Sandy Bay Ojibway First Nation had not withdrawn funds under this facility.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2017	2016
Indigenous and Northern Affairs Canada	\$ 39,670	\$ 48,750
Government remittances payable	44,326	12,802
First Nations and Inuit Health Branch	600,248	600,248
Trade and accrued liabilities	6,647,176	6,684,038
Trust payables	<u>103,137</u>	<u>103,137</u>
	\$ <u>7,434,557</u>	\$ <u>7,448,975</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2017

8. UNEXPENDED FUNDING

	2017	2016
I.N.A.C.		
Community economic development program		226,520
Capital roads upgrade	2,473,158	
Others		
Bipole III	253,813	
Aboriginal Skill and Employment Training Strategy	219,956	69,075
	<u>\$ 2,946,927</u>	<u>\$ 295,595</u>

9. LONG-TERM DEBT

	2017	2016
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.	\$ 292,414	\$ 338,662
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.	836,321	881,790
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.	1,293,113	1,356,924
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.	1,097,470	1,151,626
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.	800,085	833,785
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.	1,305,696	1,351,485

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2017

9. LONG-TERM DEBT (continued)

	2017	2016
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.	1,436,687	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.	159,619	210,269
Peace Hills Trust Loan bearing interest at 5% per annum, repayable at \$6,698 per month including interest. The loan renewal date is 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.	1,052,014	1,079,900
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.	594,321	876,790
Peace Hills Trust Loan bearing interest at 6.50% per annum. 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.	73,200	173,200
	<u>\$ 8,940,940</u>	<u>\$ 9,743,596</u>

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

March 31, 2018	\$ 813,242
2019	730,583
2020	443,002
2021	399,213
2022	407,679

SANDY BAY OJIBWAY FIRST NATION

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2017

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 2017	Total 2016
Construction in Progress (Note 18)	\$ 8,292,306	\$ 37,533	\$	\$ 8,329,839	\$	\$	\$	\$	\$ 8,329,839	\$ 8,292,306
Land	33,884			33,884					33,884	33,884
Road and Lights	28,274,000			28,274,000	22,644,483	700,325		23,344,808	4,929,192	5,629,517
Water and Wastewater	2,153,321			2,153,321	1,470,155	60,540		1,530,695	622,626	683,166
Commercial Buildings	6,884,695	256,447		7,141,142	4,608,708	196,889		4,805,597	2,335,545	2,275,987
Residential Buildings	25,777,652			25,777,652	7,551,393	971,978		8,523,371	17,254,281	18,226,259
Equipment	3,877,848	123,710		4,001,558	2,659,008	218,764		2,877,772	1,123,786	1,218,840
Automotive	3,302,439	495,665	43,500	3,754,604	1,933,478	272,632	43,500	2,162,610	1,591,994	1,368,961
	<u>\$ 78,596,145</u>	<u>\$ 913,355</u>	<u>\$ 43,500</u>	<u>\$ 79,466,000</u>	<u>\$ 40,867,225</u>	<u>\$ 2,421,128</u>	<u>\$ 43,500</u>	<u>\$ 43,244,853</u>	<u>\$ 36,221,147</u>	<u>\$ 37,728,920</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2017

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 been 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 been accrued for this claim.
- The Nation owes a net amount of \$748,953.82 to Sandy Bay Health Centre, which will eventually be paid out to Health Canada for loans received in the past.
- A national accounting firm has conducted an audit of funding agreements between Indigenous and Northern Affairs Canada and the Nation for the years 2013/14 and 2014/15. There may be a potential recovery by I.N.A.C. for between \$350,000. 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

	2017	2016
I.N.A.C. funding as per agreement #1516-MB-000043	\$ 27,868,129	\$ 21,910,661
Plus: Revenue deferred from previous years	226,520	
Less: Revenue deferred and I.N.A.C. recoveries		
Community economic development program		(226,520)
Financial management governance	(39,670)	
Capital projects	(245,000)	
Capital roads upgrade	(2,473,158)	
Basic and special needs	(195,339)	
Aboriginal Skill and Employment Training Strategy	(154,395)	
TOTAL I.N.A.C. REVENUE PER FINANCIAL STATEMENTS	\$ <u>24,987,087</u>	\$ <u>21,684,141</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2017

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 First Nation and Inuit Health Branch (F.N.I.H.B.) as a result of Treaties entered into with the Government of Canada. These treaties are administered by I.N.A.C. and F.N.I.H.B. 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 \$134,380. 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.

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	2017	2016
Balance, beginning of the year	\$ 1,142,849	\$ 219,862	\$ 1,362,711	\$ 1,288,522
Allocation for the year	134,380	22,678	157,058	149,185
Replacements during the year	(9,512)	-	(9,512)	(74,996)
	<u>\$ 1,267,717</u>	<u>\$ 242,540</u>	<u>\$ 1,510,257</u>	<u>\$ 1,362,711</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, 2017

16. EXPENSES BY OBJECT

The following is a summary of expenses by object:

	2017	2016
Amortization	\$ 2,421,128	\$ 2,366,158
Bank and interest charges	345,131	349,072
Contract services	1,972,658	1,607,345
Cost of sales	2,052,439	2,124,185
Donation	60,921	40,059
Fuel	465,637	407,046
Insurance	594,336	413,383
Material and supplies	1,602,804	789,568
Other	4,021,170	1,952,463
Professional fees	1,412,643	1,820,099
Repair and maintenance	516,806	355,228
Salaries and benefits	15,774,467	13,001,150
Social assistance	7,213,316	7,557,683
Telecommunication	148,213	137,937
Training and workshop	1,772,047	1,503,195
Travel	921,676	636,900
Utilities	<u>1,692,013</u>	<u>1,719,643</u>
	<u>\$ 42,987,405</u>	<u>\$ 36,781,114</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, 2017. 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, 2017 \$8,329,839 (2016 - \$8,292,306) has been invested into this project.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2017

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>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenue										
Federal Government										
I.N.A.C.	\$ 1,554,640	\$ 1,554,182	\$ 3,814,084	\$ 2,929,537	\$ 11,507,861	\$ 9,021,837	\$ 348,714	\$ 177,969	\$ 7,509,941	\$ 7,734,769
FNIHB										
CMHC	-	-	-	134,000	-	-	-	-	-	-
Subtotal	1,554,640	1,554,182	3,814,084	3,063,537	11,507,861	9,021,837	348,714	177,969	7,509,941	7,734,769
Other revenue	<u>1,053,864</u>	<u>1,195,042</u>	<u>450,267</u>	<u>1,054,768</u>	<u>582,786</u>	<u>585,442</u>	-	<u>39,537</u>	<u>16,791</u>	<u>8,734</u>
Total revenue	<u>2,608,504</u>	<u>2,749,224</u>	<u>4,264,351</u>	<u>4,118,305</u>	<u>12,090,647</u>	<u>9,607,279</u>	<u>348,714</u>	<u>217,506</u>	<u>7,526,732</u>	<u>7,743,503</u>
Expenses										
Amortization			1,103,959	1,103,090	94,604	83,196				
Debt servicing	124,028	131,533			5,023	5,151			6,112	8,939
Salaries and benefits	1,321,092	1,189,992	876,044	804,639	7,961,455	6,257,353		4,680	144,843	142,549
Other	<u>1,207,931</u>	<u>1,266,388</u>	<u>3,394,713</u>	<u>2,143,572</u>	<u>3,194,320</u>	<u>2,220,735</u>	<u>348,714</u>	<u>212,826</u>	<u>7,524,732</u>	<u>7,573,188</u>
Total expenses	<u>2,653,051</u>	<u>2,587,913</u>	<u>5,374,716</u>	<u>4,051,301</u>	<u>11,255,402</u>	<u>8,566,435</u>	<u>348,714</u>	<u>217,506</u>	<u>7,675,687</u>	<u>7,724,676</u>
Surplus (Deficit)	<u>\$(44,547)</u>	<u>\$ 161,311</u>	<u>\$(1,110,365)</u>	<u>\$ 67,004</u>	<u>\$ 835,245</u>	<u>\$ 1,040,844</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$(148,955)</u>	<u>\$ 18,827</u>

SANDY BAY OJIBWAY FIRST NATION

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2017

19. SEGMENT DISCLOSURE (continued)

	Housing		Other Services		Tobacco Tax		Bulk Fuel		VLT	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Revenue										
Federal Government										
CMHC	\$ 760,357	\$ 369,298	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal	760,357	369,298								
Other revenue	782,195	818,532	1,075,719	980,990	1,167,716	1,176,829	318,942	469,216	2,564,132	2,258,687
Total revenue	1,542,552	1,187,830	1,075,719	980,990	1,167,716	1,176,829	318,942	469,216	2,564,132	2,258,687
Expenses										
Amortization	971,996	971,978					34,712	34,712	31,749	31,120
Debt servicing	189,092	184,835	2,549	2,707	407	257	6,368	6,770	3,488	3,744
Salaries and benefits	327,602	177,806	362,563	336,193					644,014	638,140
Other	815,882	290,133	678,671	750,476	813,790	1,118,947	291,775	414,529	1,994,934	1,579,323
Total expenses	2,304,572	1,624,752	1,043,783	1,089,376	814,197	1,119,204	332,855	456,011	2,674,185	2,252,327
Surplus (Deficit)	\$ (762,020)	\$ (436,922)	\$ 31,936	\$ (108,386)	\$ 353,519	\$ 57,625	\$ (13,913)	\$ 13,205	\$ (110,053)	\$ 6,360

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2017

19. SEGMENT DISCLOSURE (continued)

	ASETS		Smoke Shop		Medical services		TOTAL	
	2017	2016	2017	2016	2017	2016	2017	2016
Revenue								
Federal Government								
I.N.A.C.	\$	\$	\$	\$	\$ 251,847	\$ 265,847	\$ 24,987,087	\$ 21,684,141
FNIHB					4,074,237	4,469,992	4,074,237	4,469,992
CMHC							760,357	503,298
Subtotal					4,326,084	4,735,839	29,821,681	26,657,431
Other revenue	<u>3,375,388</u>	<u>2,233,991</u>	<u>763,496</u>	<u>758,820</u>	<u>338,308</u>	<u>353,894</u>	<u>12,489,604</u>	<u>11,934,482</u>
Total revenue	<u>3,375,388</u>	<u>2,233,991</u>	<u>763,496</u>	<u>758,820</u>	<u>4,664,392</u>	<u>5,089,733</u>	<u>42,311,285</u>	<u>38,591,913</u>
Expenses								
Amortization	15,324	10,674	5,080	5,680	163,704	125,708	2,421,128	2,366,158
Debt servicing	6,481	4,913	391	223	1,192		345,131	349,072
Salaries and benefits	1,003,907	786,647	125,386	135,323	3,007,561	2,527,828	15,774,467	13,001,150
Other	<u>1,985,387</u>	<u>1,412,949</u>	<u>618,666</u>	<u>707,401</u>	<u>1,577,164</u>	<u>1,374,267</u>	<u>24,446,679</u>	<u>21,064,734</u>
Total expenses	<u>3,011,099</u>	<u>2,215,183</u>	<u>749,523</u>	<u>848,627</u>	<u>4,749,621</u>	<u>4,027,803</u>	<u>42,987,405</u>	<u>36,781,114</u>
Surplus (Deficit)	\$ <u>364,289</u>	\$ <u>18,808</u>	\$ <u>13,973</u>	\$ <u>(89,807)</u>	\$ <u>(85,229)</u>	\$ <u>1,061,930</u>	\$ <u>(676,120)</u>	\$ <u>1,810,799</u>