
SANDY BAY OJIBWAY FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2017

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SANDY BAY OJIBWAY FIRST NATION

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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

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

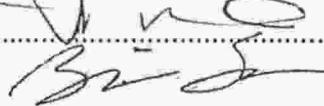
| | | |
|---|-------------------|-------------------|
| Accounts payable and accrued liabilities (Note 7) | 7,434,557 | 7,448,975 |
| Unexpended funding (Note 8) | 2,946,927 | 295,595 |
| Long term debt (Note 9) | <u>8,940,940</u> | <u>9,743,596</u> |
| Total liabilities | <u>19,322,424</u> | <u>17,488,166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

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 | \$ 25,082,474 | \$ 25,758,594 |
| 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 (<i>Note 12</i>) | \$ 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 | <u>3,789,542</u> | <u>2,674,185</u> | <u>2,252,327</u> |
| | <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, <i>beginning of year</i> | <u>25,758,594</u> | <u>25,758,594</u> | <u>24,202,626</u> |
| Prior period adjustment (<i>Note 3</i>) | <u>-</u> | <u>-</u> | (254,831) |
| ACCUMULATED SURPLUS, <i>end of year</i> | <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) | 2017 | 2016 |
|---|-----------------------|------------------------|------------------------|
| 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> | <u>\$(9,836,667)</u> | <u>\$ (11,189,402)</u> | <u>\$(12,001,814)</u> |

SANDY BAY OJIBWAY FIRST NATION

STATEMENT 4

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31

2017

2016

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 | <u>(802,656)</u> | <u>(358,197)</u> |
| | <u>(802,656)</u> | <u>2,180,958</u> |
| NET INCREASE IN CASH DURING YEAR | | 1,541,068 |
| CASH, <i>beginning of year</i> | | 1,856,781 |
| | <u>4,840,124</u> | <u>2,983,343</u> |
| CASH, <i>end of year</i> | <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.

SANDY BAY OJIBWAY FIRST NATION

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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.

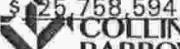
3. PRIOR PERIOD ADJUSTMENT

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> | 254,831 | <u>17,488,166</u> |
| | <u>\$ (11,746,983)</u> | \$ 254,831 | <u>\$ (12,001,814)</u> |

Statement of Operations and Accumulated Surplus \$ _____ - \$ _____ - \$ _____ -

Accumulated surplus \$ 26,013,425 \$(254,831) \$ 25,758,594

 COLLINS
BARROW

SANDY BAY OJIBWAY FIRST NATION

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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 | (232,061) | (246,585) |
| | <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> |

SANDY BAY OJIBWAY FIRST NATION

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2017

8. UNEXPENDED FUNDING

I.N.A.C.

| | 2 0 1 7 | 2 0 1 6 |
|---|---------------------|-------------------|
| Community economic development program | 226,520 | |
| Capital roads upgrade | 2,473,158 | |
| Others | | |
| Bipole III | 253,813 | |
| Aboriginal Skill and Employment Training Strategy | <u>219,956</u> | 69,075 |
| | <u>\$ 2,946,927</u> | <u>\$ 295,595</u> |

9. LONG-TERM DEBT

2 0 1 7 2 0 1 6

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

SANDY BAY OJIBWAY FIRST NATION

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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 of 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 |

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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 <i>(Note 18)</i> | \$ 8,292,306 | \$ 37,533 | \$ 33,884 | \$ 8,329,839 | \$ 22,644,483 | \$ 700,325 | \$ 23,344,808 | \$ 8,329,839 | \$ 8,292,306 | |
| Land | 33,884 | | | 33,884 | | | | 33,884 | 33,884 | |
| Road and Lights | 28,274,000 | | | 28,274,000 | | | | 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 | <u>3,302,439</u> | <u>495,665</u> | <u>43,500</u> | <u>3,754,604</u> | <u>1,933,478</u> | <u>272,632</u> | <u>43,500</u> | <u>2,162,610</u> | <u>1,591,994</u> | <u>1,368,961</u> |
| | <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> |

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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

| | 2 0 1 7 | 2 0 1 6 |
|---|----------------------|----------------------|
| 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> |

SANDY BAY OJIBWAY FIRST NATION

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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.

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MARCH 31, 2017

16. EXPENSES BY OBJECT

The following is a summary of expenses by object:

| | 2 0 1 7 | 2 0 1 6 |
|---------------------------|-----------------------------|-----------------------------|
| 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><u>\$ 42,987,405</u></u> | <u><u>\$ 36,781,114</u></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.

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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>—</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> |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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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

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19. SEGMENT DISCLOSURE *(continued)*

| | ASSETS | | 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> |