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SANDY BAY OJIBWAY FIRST NATION  
CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

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# **SANDY BAY OJIBWAY FIRST NATION**

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**MARCH 31, 2018**

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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, 2018, 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, 2018, 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  
August 16, 2018

# SANDY BAY OJIBWAY FIRST NATION

STATEMENT 1

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MARCH 31

2018 2017

### FINANCIAL ASSETS

Cash and cash equivalents	\$ 5,098,268	\$ 6,017,611
Restricted cash (Note 3)	26,601	25,671
Investments	151,300	
Term deposits	338,651	337,910
Accounts receivable (Note 4)	<u>600,984</u>	<u>1,751,830</u>
Total financial assets	<u>6,215,804</u>	<u>8,133,022</u>

### LIABILITIES

Accounts payable and accrued liabilities (Note 6)	8,525,451	7,434,557
Unexpended funding (Note 7)	1,095,144	2,946,927
Long term debt (Note 8)	<u>8,779,867</u>	<u>8,940,940</u>
Total liabilities	<u>18,400,462</u>	<u>19,322,424</u>
Net debt	(12,184,658)	(11,189,402)

### NON-FINANCIAL ASSETS

Tangible capital assets (Note 9)	47,708,884	36,221,147
Inventory	34,650	50,729
Prepaid expenses & other current assets	<u>355,426</u>	-
Total non-financial assets	<u>48,098,960</u>	<u>36,271,876</u>
Accumulated surplus	\$ <u>35,914,302</u>	\$ <u>25,082,474</u>

Contingent liabilities (Note 10)

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)	2018	2017
<b>REVENUE</b>			
Indigenous Services Canada ( <i>Note 11</i> )	\$ 29,967,021	\$ 34,853,810	\$ 24,987,087
First Nations and Inuit Health Branch	5,751,475	5,582,930	4,074,237
First Peoples Development Inc		2,612,865	3,206,901
Canada Mortgage and Housing Corporation	441,500	451,702	760,357
Contributions from band entities and sundry	2,457,459	6,130,163	5,125,215
Gaming Revenue	2,585,000	3,228,477	3,439,770
Province of Manitoba	120,000	392,249	327,398
Rental Income	348,880	366,034	357,945
Manitoba Hydro	<u>-</u>	<u>32,400</u>	<u>32,375</u>
	<u>41,671,335</u>	<u>53,650,630</u>	<u>42,311,285</u>
<b>EXPENDITURES</b>			
Aboriginal Skills and Employment Training		2,733,120	3,011,099
Band Government	2,397,683	2,882,372	2,653,051
Bulk Fuel	306,040	666,821	332,855
Community Services	3,152,785	4,187,043	5,154,230
Economic Development	276,589	276,589	348,714
Education Services	12,065,601	12,167,612	11,255,403
Housing Authority	949,334	2,035,504	2,304,572
Major Capital	5,356,729	73,441	220,485
Medical Services	4,870,815	4,442,931	4,749,622
Other Services	146,563	1,117,665	1,043,782
Smoke Shop		1,098,934	749,523
Social Services	7,514,877	7,826,529	7,675,687
Tobacco Tax	660,906	721,245	814,197
Video Lottery Terminal	<u>1,945,789</u>	<u>2,588,996</u>	<u>2,674,185</u>
	<u>39,643,711</u>	<u>42,818,802</u>	<u>42,987,405</u>
ANNUAL SURPLUS (DEFICIT)	2,027,624	10,831,828	( 676,120)
ACCUMULATED SURPLUS, <i>beginning of year</i>	<u>25,082,474</u>	<u>25,082,474</u>	<u>25,758,594</u>
ACCUMULATED SURPLUS, <i>end of year</i>	<u>\$ 27,110,098</u>	<u>\$ 35,914,302</u>	<u>\$ 25,082,474</u>

# SANDY BAY OJIBWAY FIRST NATION

STATEMENT 3

## CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT

YEAR ENDED MARCH 31

	BUDGET (UNAUDITED)	2018	2017
Annual surplus (deficit)	\$ 2,027,624	\$ 10,831,828	\$ ( 676,120)
Acquisition of tangible capital assets and construction in progress	( 14,056,416)	( 913,355)	
Loss on disposal of tangible capital assets	7,026		
Amortization of tangible capital assets	_____ -	2,561,653	2,421,128
	_____ -	( 11,487,737)	1,507,773
Acquisition of supplies and inventories	( 34,650)	( 50,729)	
Acquisition of prepaid expenses	( 355,426)		
Use of supplies and inventories	_____ -	50,729	31,488
	_____ -	( 339,347)	( 19,241)
CHANGE IN NET DEBT FOR YEAR	2,027,624	( 995,256)	812,412
NET DEBT, <i>beginning of year</i>	( 11,189,402)	( 11,189,402)	( 12,001,814)
NET DEBT, <i>end of year</i>	\$ ( 9,161,778)	\$ ( 12,184,658)	\$ ( 11,189,402)

# SANDY BAY OJIBWAY FIRST NATION

STATEMENT 4

## CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31

	2 0 1 8	2 0 1 7
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### CASH FLOW FROM

#### *OPERATING ACTIVITIES*

Cash receipts from Indigenous Services Canada	\$ 34,853,810	\$ 24,987,087
Cash receipts from FNIHB	5,582,930	4,074,237
Cash received from funding and other sources	12,512,212	14,794,428
Cash paid to suppliers and employees	( 39,197,376)	( 40,254,805)
Interest paid	( 301,199)	( 345,131)
	<u>13,450,377</u>	<u>3,255,816</u>

#### *INVESTING ACTIVITIES*

Acquisition of tangible capital assets and construction in progress	( 14,056,416)	( 913,355)
Investment in property	( 151,300)	1,263
Interest on term deposits	<u>741</u>	<u>1,263</u>
	<u>( 14,206,975)</u>	<u>( 912,092)</u>

#### *FINANCING ACTIVITIES*

Proceeds from long-term debt	747,276	
Repayment of long-term debt	( 908,350)	( 802,656)
	<u>( 161,074)</u>	<u>( 802,656)</u>
NET INCREASE (DECREASE) IN CASH DURING YEAR	( 917,672)	1,541,068
CASH, <i>beginning of year</i>	<u>6,381,192</u>	<u>4,840,124</u>
CASH, <i>end of year</i>	<u>\$ 5,463,520</u>	<u>\$ 6,381,192</u>

### CASH COMPRISED OF

Cash and cash equivalents	\$ 3,585,231	\$ 4,664,596
Restricted cash	26,601	25,671
Term deposits	338,651	337,910
Replacement reserve accounts	<u>1,513,037</u>	<u>1,353,015</u>
	<u>\$ 5,463,520</u>	<u>\$ 6,381,192</u>

# SANDY BAY OJIBWAY FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

### 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, 2018****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 \$433,484 (2017 - \$409,692).

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****MARCH 31, 2018****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 Fuel 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.

Major Capital - include major capital projects.

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, 2018****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. 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 8	2 0 1 7
Ottawa Trust Fund	\$ <u>26,601</u>	\$ <u>25,671</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

### 4. ACCOUNTS RECEIVABLE

	2 0 1 8	2 0 1 7
Indigenous Services Canada	\$ 134,186	\$ 767,348
First Nations and Inuit Health Branch	5,569	271,537
Canada Mortgage and Housing Corporation	18,894	299,099
Province of Manitoba	32,592	195,487
Goods and services tax	232,061	41,777
Member receivable	409,743	232,061
Trade and other	833,045	176,582
Subtotal	<u>833,045</u>	<u>1,983,891</u>
Less: Allowance for doubtful accounts	<u>( 232,061)</u>	<u>( 232,061)</u>
	<u><u>\$ 600,984</u></u>	<u><u>\$ 1,751,830</u></u>

### 5. 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, 2018 Sandy Bay Ojibway First Nation had not withdrawn funds under this facility.

### 6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2 0 1 8	2 0 1 7
Indigenous Services Canada	\$ 39,670	\$ 39,670
Government remittances payable	13,975	44,326
First Nations and Inuit Health Branch	468,750	600,248
Trade and accrued liabilities	<u>8,003,056</u>	<u>6,750,313</u>
	<u><u>\$ 8,525,451</u></u>	<u><u>\$ 7,434,557</u></u>

Included in trade and accrued liabilities are old debt payables amounting to \$4,439,836.10. The management is in the process of negotiating and settling these old debts with the respective vendors/contractors. A trust account has been created and settlement amounts are being transferred to the trust for onward payments. As of March 31, 2018, \$190,000 was paid for the settlements negotiated during the year, and an amount of \$67,544 was recorded as gain on settlement in these consolidated financial statements.

### 7. UNEXPENDED FUNDING

	2 0 1 8	2 0 1 7
Indigenous Services Canada		
Contribution revenue SW experience	\$ 54,687	\$
PIDP - Plan/Risk Management MAP & Prev Activities	29,115	
Financial management governance	5,495	
Capital roads upgrade	683,477	2,473,158
Others		
MMTP	91,517	
Bipole III		253,813
Aboriginal Skill and Employment Training Strategy	<u>230,853</u>	<u>219,956</u>
	<u><u>\$ 1,095,144</u></u>	<u><u>\$ 2,946,927</u></u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****MARCH 31, 2018****8. LONG-TERM DEBT****2018****2017**

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.

\$ **245,286** \$ 292,414

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 May 1, 2018 and is secured by a ministerial guarantee and assignment of fire insurance.

**790,139** 836,321

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.

**1,228,007** 1,293,113

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.

**1,042,215** 1,097,470

Canada Mortgage and Housing Corporation - 8 unit mortgage bearing interest at 1.50% per annum, repayable at \$3,800 per month including interest. The mortgage matures on July 1, 2037, with a renewal date of July 1, 2022 and is secured by a ministerial guarantee and assignment of fire insurance.

**766,120** 800,085

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.

**1,258,867** 1,305,696

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

### 8. LONG-TERM DEBT *(continued)*

	2 0 1 8	2 0 1 7
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.	1,383,694	1,436,687
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.	106,944	159,619
Peace Hills Trust Loan bearing interest at 5.50% per annum, repayable at \$6,698 per month including interest. The loan renewal date is March 1, 2023 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.	1,023,159	1,052,014
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.	293,085	594,321
Peace Hills Trust Loan bearing interest at 5.50% per annum. The loan will mature on June 1, 2022 and was secured by a continuing security agreement over present and future acquired property of Sandy Bay Ojibway First Nation, assignment of monies, and an assignment of fire, all risks and perils insurance.	<u>642,351</u>	<u>73,200</u>
	<u><u>\$ 8,779,867</u></u>	<u><u>\$ 8,940,940</u></u>

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

March 31, 2019	\$ 890,994
2020	601,408
2021	566,786
2022	566,581
2023	410,397

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

### 9. 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 2018	Total 2017
Construction in Progress	\$ 8,329,839	\$ 8,735,018	\$	\$ 17,064,857	\$	\$	\$	\$	\$ 17,064,857	\$ 8,329,839
Land	33,884			33,884					33,884	33,884
Road and Lights	28,274,000			28,274,000	23,344,808	703,746		24,048,554	4,225,446	4,929,192
Water and Wastewater	2,153,321	832,921		2,986,242	1,530,695	56,263		1,586,958	1,399,284	622,626
Commercial Buildings	7,141,142	363,113		7,504,255	4,805,597	179,069		4,984,666	2,519,589	2,335,545
Residential Buildings	25,777,652	2,740,700		28,518,352	8,523,371	1,035,089		9,558,460	18,959,892	17,254,281
Equipment	4,001,558	728,840		4,730,398	2,877,772	264,207		3,141,979	1,588,419	1,123,786
Automotive	3,754,604	<u>655,824</u>	<u>118,201</u>	<u>4,292,227</u>	<u>2,162,610</u>	<u>323,279</u>	<u>111,175</u>	<u>2,374,714</u>	<u>1,917,513</u>	<u>1,591,994</u>
	<u>\$ 79,466,000</u>	<u>\$ 14,056,416</u>	<u>\$ 118,201</u>	<u>\$ 93,404,215</u>	<u>\$ 43,244,853</u>	<u>\$ 2,561,653</u>	<u>\$ 111,175</u>	<u>\$ 45,695,331</u>	<u>\$ 47,708,884</u>	<u>\$ 36,221,147</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****MARCH 31, 2018**

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**10. 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 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 has been accrued for this claim.
- A claim for \$129,443 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 \$129,443 has been accrued for this claim.
- The Nation owes a net amount of \$748,954 to Sandy Bay Health Centre, which will eventually be paid out to Health Canada for loans received in the past. An amount of \$720,000 was paid to Sandy Bay Health Centre subsequent to the balance sheet date.
- A grievance application was filed with Manitoba Government and General Employee's Union regarding four day work week implemented in the past. As per the letter received from the legal counsel, the maximum potential liability in this matter is \$250,000. The matter has currently been referred to the arbitration and the management is hopeful to get a favourable outcome from the decision, hence no liability has been recorded in these consolidated financial statements.
- A national accounting firm has conducted an audit of funding agreements between Indigenous Services Canada and the Nation for the years 2013/14 and 2014/15. There may be a potential recovery by Indigenous Services Canada 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.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

### 11. RECONCILIATION OF INDIGENOUS SERVICES CANADA

	2 0 1 8	2 0 1 7
Indigenous Services Canada funding as per agreement #1516-MB-000043	\$ 33,159,953	\$ 27,868,129
Plus: Revenue deferred from previous years Capital roads upgrade	2,473,158	226,520
Less: Revenue deferred and Indigenous Services Canada recoveries		
Response	( 6,527)	
Contribution revenue SW experience	( 54,687)	
Financial management governance		( 39,670)
Capital projects		( 245,000)
Capital roads upgrade	( 683,477)	( 2,473,158)
Basic and special needs		( 195,339)
Aboriginal Skill and Employment Training Strategy		( 154,395)
PIDP - Plan/Risk Management MAP & Prev Activities	( 29,115)	
Financial management governance	( 5,495)	- - -
TOTAL INDIGENOUS SERVICES CANADA REVENUE PER FINANCIAL STATEMENTS	<u>\$ 34,853,810</u>	<u>\$ 24,987,087</u>

### 12. ECONOMIC DEPENDENCE

Sandy Bay Ojibway First Nation receives the majority of its revenue from the department of Indigenous Services Canada (I.S.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.S.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.

### 13. 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	2 0 1 8	2 0 1 7
Balance, beginning of the year	\$ 1,267,717	\$ 242,540	\$ 1,510,257	\$ 1,362,711
Allocation for the year	134,380	23,358	157,738	157,058
Replacements during the year	- - -	- - -	( 9,512)	
	<u>\$ 1,402,097</u>	<u>\$ 265,898</u>	<u>\$ 1,667,995</u>	<u>\$ 1,510,257</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****MARCH 31, 2018****14. RELATED PARTY TRANSACTIONS**

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

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

**15. EXPENSES BY OBJECT**

The following is a summary of expenses by object:

	<b>2 0 1 8</b>	<b>2 0 1 7</b>
Amortization	\$ 2,561,653	\$ 2,421,128
Bank and interest charges	301,199	345,131
Contract services	1,642,827	1,972,658
Cost of sales	2,720,106	2,052,439
Donation	102,583	60,921
Fuel	305,313	465,637
Insurance	364,842	594,336
Material and supplies	903,174	1,602,804
Other	2,037,230	4,021,170
Professional fees	1,784,667	1,412,643
Repair and maintenance	1,254,663	516,806
Salaries and benefits	16,324,609	15,774,467
Social assistance	7,390,617	7,213,316
Telecommunication	149,877	148,213
Training and workshop	1,774,453	1,772,047
Travel	1,210,937	921,676
Utilities	<u>1,990,052</u>	<u>1,692,013</u>
	<u><u>\$ 42,818,802</u></u>	<u><u>\$ 42,987,405</u></u>

**16. COMPARATIVE FIGURES**

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

### 17. 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>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b>Revenue</b>										
Federal Government										
I.S.C.	\$ 1,911,392	\$ 1,554,640	\$ 3,197,428	\$ 3,814,084	\$ 11,769,328	\$ 11,507,861	\$ 276,589	\$ 348,714	\$ 7,531,006	\$ 7,509,941
FNIHB										
CMHC										
Subtotal	1,911,392	1,554,640	3,197,428	3,814,084	11,769,328	11,507,861	276,589	348,714	7,531,006	7,509,941
Other revenue	1,501,596	1,053,864	862,360	450,267	595,492	582,786	-	-	8,790	16,791
<b>Total revenue</b>	<b>3,412,988</b>	<b>2,608,504</b>	<b>4,059,788</b>	<b>4,264,351</b>	<b>12,364,820</b>	<b>12,090,647</b>	<b>276,589</b>	<b>348,714</b>	<b>7,539,796</b>	<b>7,526,732</b>
<b>Expenses</b>										
Amortization			1,145,250	1,103,959	99,858	94,604				
Debt servicing	78,789	124,028			5,643	5,023			12,735	6,112
Salaries and benefits	1,372,868	1,321,092	1,053,886	876,044	8,128,551	7,961,455			149,175	144,843
Other	1,430,715	1,207,931	1,987,907	3,394,713	3,933,560	3,194,320	276,589	348,714	7,664,619	7,524,732
<b>Total expenses</b>	<b>2,882,372</b>	<b>2,653,051</b>	<b>4,187,043</b>	<b>5,374,716</b>	<b>12,167,612</b>	<b>11,255,402</b>	<b>276,589</b>	<b>348,714</b>	<b>7,826,529</b>	<b>7,675,687</b>
<b>Surplus (Deficit)</b>	<b>\$ 530,616</b>	<b>\$( 44,547)</b>	<b>\$( 127,255)</b>	<b>\$( 1,110,365)</b>	<b>\$ 197,208</b>	<b>\$ 835,245</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$( 286,733)</b>	<b>\$( 148,955)</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**MARCH 31, 2018**

### 17. SEGMENT DISCLOSURE *(continued)*

	Housing		Other Services		Tobacco Tax		Bulk Fuel		VLT	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
<b>Revenue</b>										
Federal Government										
CMHC	\$ 451,702	\$ 760,357	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal	451,702	760,357								
Other revenue	669,754	782,195	1,053,599	1,075,719	1,004,514	1,167,716	748,073	318,942	2,297,771	2,564,132
<b>Total revenue</b>	<b>1,121,456</b>	<b>1,542,552</b>	<b>1,053,599</b>	<b>1,075,719</b>	<b>1,004,514</b>	<b>1,167,716</b>	<b>748,073</b>	<b>318,942</b>	<b>2,297,771</b>	<b>2,564,132</b>
<b>Expenses</b>										
Amortization	971,976	971,996					34,712	34,712	29,943	31,749
Debt servicing	180,465	189,092	2,134	2,549	182	407	6,567	6,368	4,049	3,488
Salaries and benefits	223,608	327,602	343,303	362,563					722,632	644,014
Other	659,455	815,882	772,228	678,671	721,063	813,790	625,542	291,775	1,832,372	1,994,934
<b>Total expenses</b>	<b>2,035,504</b>	<b>2,304,572</b>	<b>1,117,665</b>	<b>1,043,783</b>	<b>721,245</b>	<b>814,197</b>	<b>666,821</b>	<b>332,855</b>	<b>2,588,996</b>	<b>2,674,185</b>
<b>Surplus (Deficit)</b>	<b>\$( 914,048)</b>	<b>\$( 762,020)</b>	<b>\$( 64,066)</b>	<b>\$ 31,936</b>	<b>\$ 283,269</b>	<b>\$ 353,519</b>	<b>\$ 81,252</b>	<b>\$( 13,913)</b>	<b>\$( 291,225)</b>	<b>\$( 110,053)</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

### 17. SEGMENT DISCLOSURE (continued)

	ASSETS		Smoke Shop		Medical services		Major Capital		TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
<b>Revenue</b>										
Federal Government										
I.S.C.	\$	\$	\$	\$	\$ 251,847	\$ 251,847	\$ 9,916,220	\$	\$ 34,853,810	\$ 24,987,087
FNIHB					5,582,930	4,074,237			5,582,930	4,074,237
CMHC	-	-	-	-	-	-	-	-	451,702	760,357
<b>Subtotal</b>					5,834,777	4,326,084	9,916,220		<b>40,888,442</b>	<b>29,821,681</b>
Other revenue	<u>3,025,655</u>	<u>3,375,388</u>	<u>923,010</u>	<u>763,496</u>	<u>71,574</u>	<u>338,308</u>	<u>-</u>	<u>-</u>	<u>12,762,188</u>	<u>12,489,604</u>
<b>Total revenue</b>	<b><u>3,025,655</u></b>	<b><u>3,375,388</u></b>	<b><u>923,010</u></b>	<b><u>763,496</u></b>	<b><u>5,906,351</u></b>	<b><u>4,664,392</u></b>	<b><u>9,916,220</u></b>	<b><u>-</u></b>	<b><u>53,650,630</u></b>	<b><u>42,311,285</u></b>
<b>Expenses</b>										
Amortization	63,030	15,324	4,570	5,080	149,203	163,704	63,111		2,561,653	2,421,128
Debt servicing	8,848	6,481	202	391	1,585	1,192			301,199	345,131
Salaries and benefits										
	<u>1,095,322</u>	<u>1,003,907</u>	<u>123,616</u>	<u>125,386</u>	<u>3,111,648</u>	<u>3,007,561</u>			<u>16,324,609</u>	<u>15,774,467</u>
Other	<u>1,565,920</u>	<u>1,985,387</u>	<u>970,546</u>	<u>618,666</u>	<u>1,180,495</u>	<u>1,577,164</u>	<u>10,330</u>		<u>23,631,341</u>	<u>24,446,679</u>
<b>Total expenses</b>	<b><u>2,733,120</u></b>	<b><u>3,011,099</u></b>	<b><u>1,098,934</u></b>	<b><u>749,523</u></b>	<b><u>4,442,931</u></b>	<b><u>4,749,621</u></b>	<b><u>73,441</u></b>	<b><u>-</u></b>	<b><u>42,818,802</u></b>	<b><u>42,987,405</u></b>
<b>Surplus (Deficit)</b>	<b>\$ <u>292,535</u></b>	<b>\$ <u>364,289</u></b>	<b>\$ <u>(175,924)</u></b>	<b>\$ <u>13,973</u></b>	<b>\$ <u>1,463,420</u></b>	<b>\$ <u>(85,229)</u></b>	<b>\$ <u>9,842,779</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>10,831,828</u></b>	<b>\$ <u>(676,120)</u></b>