
SANDY BAY OJIBWAY FIRST NATION

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

SANDY BAY OJIBWAY FIRST NATION

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MARCH 31, 2019

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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, Baker Tilly 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.



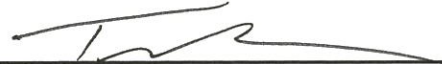
Chief



Councillor



Councillor



Councillor

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INDEPENDENT AUDITORS' REPORT

To the Members
Sandy Bay Ojibway First Nation

Qualified Opinion

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, 2019, and the consolidated statements of consolidated statement of operations, consolidated statement of changes in net debt and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Sandy Bay Ojibway First Nation as at March 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

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.

Sandy Bay Aboriginal Skills And Employment Training Strategy (ASETS)

We have been unable to satisfy ourselves with the existence and completeness of the recorded payables and deferred revenue liability, completeness and classification of deferred revenue income and expense, and program expenditures. There were changes to the financial reporting process during the year, which resulted in program revenue and expenditures not being recorded completely, and was not susceptible to proper audit verification and procedures. As a result, we were not able to assess whether potentially material adjustments were required to accounts payable, deferred revenue liability, deferred revenue income and expense, and program expenses.

(continued.....)

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Sandy Bay Ojibway First Nation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing Sandy Bay Ojibway First Nation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Sandy Bay Ojibway First Nation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Sandy Bay Ojibway First Nation's financial reporting process.

Auditors' Responsibility for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Sandy Bay Ojibway First Nation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

(continued.....)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Sandy Bay Ojibway First Nation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Sandy Bay Ojibway First Nation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Baker Tilly HMA LLP

Chartered Professional Accountants

Winnipeg, Manitoba
January 30, 2020

SANDY BAY OJIBWAY FIRST NATION



STATEMENT 1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MARCH 31

	2019	2018
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 5,852,579	\$ 5,098,268
Restricted cash (Note 3)	27,549	26,601
Investments	151,300	151,300
Term deposits	340,106	338,651
Accounts receivable (Note 4)	<u>846,287</u>	<u>600,984</u>
Total financial assets	<u>7,217,821</u>	<u>6,215,804</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	6,434,812	8,525,451
Unexpended funding (Note 7)	1,997,567	1,095,144
Long term debt (Note 8)	<u>10,042,231</u>	<u>8,779,867</u>
Total liabilities	<u>18,474,610</u>	<u>18,400,462</u>
Net debt	<u>(11,256,789)</u>	<u>(12,184,658)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 9)	47,962,784	47,708,884
Inventory	55,649	34,650
Prepaid expenses & other current assets	<u>319,339</u>	<u>355,426</u>
Total non-financial assets	<u>48,337,772</u>	<u>48,098,960</u>
Accumulated surplus	<u>\$ 37,080,983</u>	<u>\$ 35,914,302</u>
Contingent liabilities (Note 10)		

Approved on behalf of Chief and Council


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Chief
.....
Councillor
.....
Councillor
.....
Councillor

SANDY BAY OJIBWAY FIRST NATION

STATEMENT 2

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

YEAR ENDED MARCH 31

	BUDGET (UNAUDITED)	2 0 1 9	2 0 1 8
REVENUE			
Indigenous Services Canada (<i>Note 11</i>)	\$ 23,786,417	\$ 26,210,126	\$ 34,853,810
First Nations and Inuit Health Branch	6,754,070	6,219,545	5,582,930
First Peoples Development Inc		1,491,043	2,612,865
Canada Mortgage and Housing Corporation	441,500	558,659	451,702
Contributions from band entities and sundry	2,609,823	6,176,098	6,130,163
Gaming Revenue	5,427,500	3,344,610	3,228,477
Province of Manitoba	250,000	104,848	392,249
Rental Income	344,620	471,528	366,034
Manitoba Hydro	-	-	32,400
	<u>39,613,930</u>	<u>44,576,457</u>	<u>53,650,630</u>
EXPENDITURES			
Aboriginal Skills and Employment Training		1,893,006	2,733,120
Band Government	2,810,402	3,090,197	2,882,372
Bulk Fuel	337,040	574,210	666,821
Community Services	2,994,977	5,020,009	4,187,043
Economic Development	26,589	26,589	276,589
Education Services	11,935,731	12,131,637	12,167,612
Housing Authority	949,334	1,877,608	2,035,504
Major Capital			73,441
Medical Services	6,626,829	5,382,702	4,442,931
Other Services	154,588	1,115,812	1,117,665
Smoke Shop	1,094,364	981,722	1,098,934
Social Services	7,531,620	7,760,242	7,826,529
Tobacco Tax	1,036,429	1,062,749	721,245
Video Lottery Terminal	5,247,500	2,493,293	2,588,996
	<u>40,745,403</u>	<u>43,409,776</u>	<u>42,818,802</u>
ANNUAL SURPLUS	(1,131,473)	1,166,681	10,831,828
ACCUMULATED SURPLUS, <i>beginning of year</i>	<u>35,914,302</u>	<u>35,914,302</u>	<u>25,082,474</u>
ACCUMULATED SURPLUS, <i>end of year</i>	<u>\$ 34,782,829</u>	<u>\$ 37,080,983</u>	<u>\$ 35,914,302</u>

SANDY BAY OJIBWAY FIRST NATION

STATEMENT 3

CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT

YEAR ENDED MARCH 31

	BUDGET (UNAUDITED)	2 0 1 9	2 0 1 8
Annual surplus (deficit)	\$(1,131,473)	\$ 1,166,681	\$ 10,831,828
Acquisition of tangible capital assets		(3,257,115)	(14,056,416)
Loss on disposal of tangible capital assets			7,026
Amortization of tangible capital assets		3,003,215	2,561,653
	-	(253,900)	(11,487,737)
Acquisition of supplies and inventories		(55,649)	(34,650)
Acquisition of prepaid expenses		(319,339)	(355,426)
Use of supplies and inventories		34,650	50,729
Use of prepaid expenses	-	355,426	-
	-	15,088	(339,347)
CHANGE IN NET DEBT FOR YEAR	(1,131,473)	927,869	(995,256)
NET DEBT, <i>beginning of year</i>	(12,184,658)	(12,184,658)	(11,189,402)
NET DEBT, <i>end of year</i>	\$(13,316,131)	\$(11,256,789)	\$(12,184,658)

SANDY BAY OJIBWAY FIRST NATION

STATEMENT 4

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31

	2019	2018
CASH FLOW FROM		
<i>OPERATING ACTIVITIES</i>		
Cash receipts from Indigenous Services Canada	\$ 26,210,126	\$ 34,853,810
Cash receipts from FNIHB	6,219,545	5,582,930
Cash received from funding and other sources	12,803,906	12,512,212
Cash paid to suppliers and employees	(42,172,602)	(39,197,376)
Interest paid	(310,965)	(301,199)
	<u>2,750,010</u>	<u>13,450,377</u>
<i>INVESTING ACTIVITIES</i>		
Acquisition of tangible capital assets	(3,257,115)	(14,056,416)
Investment in property		(151,300)
Interest on term deposits	<u>1,455</u>	<u>741</u>
	<u>(3,255,660)</u>	<u>(14,206,975)</u>
<i>FINANCING ACTIVITIES</i>		
Proceeds from long term debt	2,141,306	747,276
Repayment of long term debt	(878,942)	(908,350)
	<u>1,262,364</u>	<u>(161,074)</u>
NET INCREASE (DECREASE) IN CASH DURING YEAR	756,714	(917,672)
CASH, <i>beginning of year</i>	<u>5,463,520</u>	<u>6,381,192</u>
CASH, <i>end of year</i>	<u>\$ 6,220,234</u>	<u>\$ 5,463,520</u>
CASH COMPRISED OF		
Cash and cash equivalents	\$ 5,634,147	\$ 3,585,231
Restricted cash	27,549	26,601
Term deposits	340,106	338,651
Replacement reserve accounts	<u>218,432</u>	<u>1,513,037</u>
	<u>\$ 6,220,234</u>	<u>\$ 5,463,520</u>

SANDY BAY OJIBWAY FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

1. NATURE OF OPERATION

Sandy Bay Ojibway First Nation (the Nation) is a non-profit, non-taxable entity and is engaged in the social, cultural and economic development of its members. Sandy Bay Ojibway First Nation financial reporting entity includes all related entities which are accountable to the Nation and are either owned or controlled by the Nation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements are the representations of management, prepared in accordance with Canadian public sector accounting standards and include the following significant accounting policies.

REPORTING ENTITY

The consolidated financial statements consolidate the financial activities of all entities and departments comprising the Nation reporting entity. The Nation has consolidated the assets, liabilities, revenue and expenses of the following entities and departments:

- Sandy Bay Ojibway First Nation Administration	100% owned
- Sandy Bay Housing Authority	100% owned
- Sandy Bay Ojibway Health Centre	100% owned
- Sandy Bay Ojibway First Nation VLT and Community Complex Centre	100% owned
- Sandy Bay Ojibway First Nation Tobacco Tax Rebate	100% owned
- Sandy Bay Bulk Fuel	100% owned
- Sandy Bay Aboriginal Skills and Education Training Strategy	100% owned
- Sandy Bay Ojibway First Nation Radio	100% owned
- Sandy Bay Ojibway Smoke Shop	100% owned

All inter-entity balances have been eliminated on consolidation. However, transactions between departments have not been eliminated in order to present the results of operations for each specific department.

BASIS OF PRESENTATION

Sources of revenue and expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes available and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of the legal obligation to pay.

CASH AND CASH EQUIVALENTS

Cash resources include balances with banks and short-term investments with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

INVENTORY

Inventory is valued at the lower of cost and net realizable value. Cost is determined by the weighted - average cost method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated selling costs.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

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

The reserves are required by agreements with funders for the replacement of capital assets. This balance consists of a net accumulation of the levy on operations and expenditures paid for by the reserve since inception.

ASSET CLASSIFICATION

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations. Non-financial assets are acquired, constructed or developed assets that do not provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale. Non-financial assets include tangible capital assets, inventory and prepaid expenses.

NET DEBT

The Nation's consolidated financial statements are presented so as to highlight net debt as the measurement of financial position. The net debt of the Nation is determined by its financial assets less its liabilities. Net debt combined with non-financial assets comprises a second indicator of financial position, accumulated surplus.

TANGIBLE CAPITAL ASSETS

Tangible capital assets are initially recorded at cost based on historical cost accounting records. Tangible capital assets are amortized annually using the straight line method (except where noted) at rates intended to amortize the cost of the assets over their estimated useful lives:

Roads and Light	25-40 years straight line basis
Water and Wastewater	30-40 years straight line basis
Commercial Buildings	4-40 years straight line basis
Residential Buildings	15-40 years straight line basis
Equipment	3-15 years straight line basis
Automotive	5-10 years straight line basis

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

CMHC housing amortization method: amortization of the buildings purchased using mortgaged funds provided by CMHC is not calculated based on the estimated useful lives of the assets, but rather at a rate equal to the annual principal reduction of the mortgage.

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 \$460,166 (2018 - \$433,484).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

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, 2019

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 9	2 0 1 8
Ottawa Trust Fund	\$ <u>27,549</u>	\$ <u>26,601</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

4. ACCOUNTS RECEIVABLE

	2 0 1 9	2 0 1 8
Indigenous Services Canada	\$ 327,828	\$ 134,186
Canada Mortgage and Housing Corporation		5,569
Province of Manitoba		18,894
Goods and services tax	39,579	32,592
Members receivable	232,061	232,061
Trade and other	<u>478,880</u>	<u>409,743</u>
Subtotal	<u>1,078,348</u>	<u>833,045</u>
Less: Allowance for doubtful accounts	<u>(232,061)</u>	<u>(232,061)</u>
	<u>\$ 846,287</u>	<u>\$ 600,984</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, 2019 Sandy Bay Ojibway First Nation had not withdrawn funds under this facility.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2 0 1 9	2 0 1 8
Indigenous Services Canada	\$ 44,980	\$ 39,670
Government remittances payable	9,110	13,975
Health Canada	191,785	468,750
Trade and accrued liabilities	<u>6,188,937</u>	<u>8,003,056</u>
	<u>\$ 6,434,812</u>	<u>\$ 8,525,451</u>

Included in trade and accrued liabilities are old debt payables amounting to \$4,428,559. 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. During the year, \$92,596 was paid for the settlements negotiated during the year, and an amount of \$1,677 was recorded as gain on settlement in these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

7. DEFERRED REVENUE

	2 0 1 9	2 0 1 8
Indigenous Services Canada		
Contribution revenue SW experience	\$	\$ 54,687
Consulting and policy development	20,000	
Child and family services	480,439	
Immediate needs response	137,000	
Community planner	17,784	
PIDP - Plan/Risk Management MAP & Prev Activities		29,115
Financial management governance	162,000	5,495
Water treatment plant	465,450	
Capital roads upgrade	300,000	683,477
Basic needs	50,000	
Others		
MMTP	37,765	91,517
Aboriginal Skill and Employment Training Strategy	298,820	230,853
CMHC burnout	28,309	-
	<u>\$ 1,997,567</u>	<u>\$ 1,095,144</u>

8. LONG-TERM DEBT

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 May 1, 2019 and is secured by a ministerial guarantee and assignment of fire insurance.

\$ 197,249 \$ 245,286

Canada Mortgage and Housing Corporation - 14 unit mortgage bearing interest at 2.50% per annum, repayable at \$5,252 per month including interest. The mortgage matures on March 1, 2033, with a renewal date of June 1, 2023 and is secured by a ministerial guarantee and assignment of fire insurance.

745,937 790,139

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 May 1, 2019 and is secured by a ministerial guarantee and assignment of fire insurance.

1,161,521 1,228,007

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 May 1, 2019 and is secured by a ministerial guarantee and assignment of fire insurance.

985,787 1,042,215

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

8. LONG-TERM DEBT *(continued)*

	2 0 1 9	2 0 1 8
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.	731,687	766,120
Canada Mortgage and Housing Corporation - 15 unit mortgage bearing interest at 2.68% per annum, repayable at \$6,610 per month including interest. The mortgage matures on October 1, 2038, with a renewal date of October 1, 2023 and is secured by a ministerial guarantee and assignment of fire insurance.	1,211,775	1,258,867
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.	1,330,148	1,383,694
TD Canada Trust - 18 unit mortgage bearing interest at 4.30% per annum, repayable in monthly blended payments of \$4,833. The mortgage matures on February 1, 2020 and is secured by a ministerial guarantee, a CMHC undertaking and an assignment of fire insurance.	52,227	106,944
Peace Hills Trust Loan bearing interest at 5.50% per annum, repayable at \$6,970 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.	994,070	1,023,159
Peace Hills Trust Loan, fully repaid during the year.		293,085
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.	490,524	642,351

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

8. LONG-TERM DEBT *(continued)*

Canada Mortgage and Housing Corporation - 15 unit mortgage bearing interest at 2.22% per annum, repayable at \$10,068 per month including interest. The mortgage matures on January 1, 2039 with a renewal date of January 1, 2024 and is secured by a ministerial guarantee and assignment of fire insurance.

2019

2018

1,942,140

Peace Hills Trust Loan bearing interest at 5.50% per annum. The loan will mature on April 1, 2027 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.

199,166\$ 10,042,231 \$ 8,779,867

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

March 31, 2020	\$ 875,204
2021	643,607
2022	645,699
2023	491,846
2024	454,849

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

9. TANGIBLE CAPITAL ASSETS

	Cost				Accumulated Amortization				Net Book Value	
	Opening Balance	Additions	Disposals, Write-offs & Transfers	Closing Balance	Opening Balance	Amortization	Disposals, Write-offs & Adjustments	Closing Balance	Total 2019	Total 2018
Construction in Progress	\$ 17,064,857	\$ 450,000	\$ 8,735,020	\$ 8,779,837	\$	\$	\$	\$	\$ 8,779,837	\$ 17,064,857
Land	33,884			33,884					33,884	33,884
Road and Lights	28,274,000	7,750,875		36,024,875	24,048,554	1,022,230		25,070,784	10,954,091	4,225,446
Water and Wastewater	2,986,242			2,986,242	1,586,958	82,711		1,669,669	1,316,573	1,399,284
Commercial Buildings	7,504,255	1,029,085		8,533,340	4,984,666	200,089		5,184,755	3,348,585	2,519,589
Residential Buildings	28,518,352	1,954,312		30,472,664	9,558,460	1,114,747		10,673,207	19,799,457	18,959,892
Equipment	4,730,398	114,109		4,844,507	3,141,979	258,720		3,400,699	1,443,808	1,588,419
Automotive	4,292,227	693,754	-	4,985,981	2,374,714	324,718	-	2,699,432	2,286,549	1,917,513
	<u>\$ 93,404,215</u>	<u>\$ 11,992,135</u>	<u>\$ 8,735,020</u>	<u>\$ 96,661,330</u>	<u>\$ 45,695,331</u>	<u>\$ 3,003,215</u>	<u>\$ -</u>	<u>\$ 48,698,546</u>	<u>\$ 47,962,784</u>	<u>\$ 47,708,884</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**MARCH 31, 2019**

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.
- 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, 2019

11. RECONCILIATION OF INDIGENOUS SERVICES CANADA

	2 0 1 9	2 0 1 8
Indigenous Services Canada funding as per agreement #1718-MB-000051	\$ 27,075,335	\$ 33,159,953
Plus: Revenue deferred from previous years		
Capital roads upgrade	683,477	2,473,158
PIDP - Plan/Risk Management MAP & Prev Activities	29,115	
Financial management governance	5,495	
Contribution revenue SW experience	54,687	
Less: Revenue deferred and Indigenous Services Canada recoveries		
Response (recovery)		(6,527)
Summer student program (recovery)	(5,310)	
Contribution revenue SW experience		(54,687)
Consulting and policy development	(20,000)	
Capital roads upgrade	(300,000)	(683,477)
Child and family services	(480,440)	
Immediate needs response	(137,000)	-
Community planner	(17,783)	-
Water treatment plant	(465,450)	-
Basic needs	(50,000)	-
PIDP - Plan/Risk Management MAP & Prev Activities	-	(29,115)
Financial management governance	(162,000)	(5,495)
TOTAL INDIGENOUS SERVICES CANADA REVENUE PER FINANCIAL STATEMENTS	\$ <u>26,210,126</u>	\$ <u>34,853,810</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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

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 9	2 0 1 8
Balance, beginning of the year	\$ 1,402,097	\$ 265,898	\$ 1,667,995	\$ 1,510,257
Allocation for the year	<u>138,130</u>	<u>24,059</u>	<u>162,189</u>	<u>157,738</u>
	<u>\$ 1,540,227</u>	<u>\$ 289,957</u>	<u>\$ 1,830,184</u>	<u>\$ 1,667,995</u>

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:

	2 0 1 9	2 0 1 8
Amortization	\$ 3,003,215	\$ 2,561,653
Bank and interest charges	310,965	301,199
Contract services	1,250,214	1,642,827
Cost of sales	2,456,271	2,720,106
Donation	52,539	102,583
Fuel	402,880	305,313
Insurance	542,563	364,842
Material and supplies	1,327,809	903,174
Other	2,960,740	2,037,230
Professional fees	1,538,628	1,784,667
Repair and maintenance	570,638	1,254,663
Salaries and benefits	17,074,237	16,324,609
Social assistance	7,050,647	7,390,617
Telecommunication	152,607	149,877
Training and workshop	1,938,556	1,774,453
Travel	898,005	1,210,937
Utilities	<u>1,879,262</u>	<u>1,990,052</u>
	<u>\$ 43,409,776</u>	<u>\$ 42,818,802</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**MARCH 31, 2019**

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, 2019

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>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenue										
Federal Government										
I.S.C.	\$ 2,253,836	\$ 1,911,392	\$ 3,013,776	\$ 3,197,428	\$ 12,028,399	\$ 11,769,328	\$ 276,589	\$ 276,589	\$ 7,627,025	\$ 7,531,006
FNIHB										
CMHC	-	-	-	-	-	-	-	-	-	-
Subtotal	2,253,836	1,911,392	3,013,776	3,197,428	12,028,399	11,769,328	276,589	276,589	7,627,025	7,531,006
Other revenue	<u>1,880,996</u>	<u>1,501,596</u>	<u>620,272</u>	<u>862,360</u>	<u>839,698</u>	<u>595,492</u>	-	-	<u>7,851</u>	<u>8,790</u>
Total revenue	<u>4,134,832</u>	<u>3,412,988</u>	<u>3,634,048</u>	<u>4,059,788</u>	<u>12,868,097</u>	<u>12,364,820</u>	<u>276,589</u>	<u>276,589</u>	<u>7,634,876</u>	<u>7,539,796</u>
Expenses										
Amortization			1,478,893	1,145,250	102,580	99,858				
Debt servicing	77,418	78,789	69		4,206	5,643			11,739	12,735
Salaries and benefits	1,646,183	1,372,868	1,042,046	1,053,886	8,449,145	8,128,551			143,232	149,175
Other	<u>1,366,596</u>	<u>1,430,715</u>	<u>2,499,001</u>	<u>1,987,907</u>	<u>3,575,706</u>	<u>3,933,560</u>	<u>26,589</u>	<u>276,589</u>	<u>7,605,271</u>	<u>7,664,619</u>
Total expenses	<u>3,090,197</u>	<u>2,882,372</u>	<u>5,020,009</u>	<u>4,187,043</u>	<u>12,131,637</u>	<u>12,167,612</u>	<u>26,589</u>	<u>276,589</u>	<u>7,760,242</u>	<u>7,826,529</u>
Surplus (Deficit)	<u>\$ 1,044,635</u>	<u>\$ 530,616</u>	<u>\$ (1,385,961)</u>	<u>\$ (127,255)</u>	<u>\$ 736,460</u>	<u>\$ 197,208</u>	<u>\$ 250,000</u>	<u>\$ -</u>	<u>\$ (125,366)</u>	<u>\$ (286,733)</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

17. SEGMENT DISCLOSURE (continued)

	Housing		Other Services		Tobacco Tax		Bulk Fuel		VLT	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenue										
Federal Government										
CMHC	\$ 558,659	\$ 451,702	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal	558,659	451,702								
Other revenue	288,435	669,754	1,111,075	1,053,599	1,269,284	1,004,514	513,588	748,073	2,390,331	2,297,771
Total revenue	847,094	1,121,456	1,111,075	1,053,599	1,269,284	1,004,514	513,588	748,073	2,390,331	2,297,771
Expenses										
Amortization	1,114,729	971,976					34,712	34,712	28,249	29,943
Debt servicing	193,181	180,465	4,048	2,134		182	10,410	6,567	4,632	4,049
Salaries and benefits	133,425	223,608	356,183	343,303					650,782	722,632
Other	436,273	659,455	755,581	772,228	1,062,749	721,063	529,088	625,542	1,809,630	1,832,372
Total expenses	1,877,608	2,035,504	1,115,812	1,117,665	1,062,749	721,245	574,210	666,821	2,493,293	2,588,996
Surplus (Deficit)	\$ (1,030,514)	\$ (914,048)	\$ (4,737)	\$ (64,066)	\$ 206,535	\$ 283,269	\$ (60,622)	\$ 81,252	\$ (102,962)	\$ (291,225)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

17. SEGMENT DISCLOSURE (continued)

	ASETS		Smoke Shop		Medical services		Major Capital		TOTAL	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Revenue										
Federal Government										
I.S.C.	\$	\$	\$	\$	\$ 427,025	\$ 251,847	\$ 583,476	\$ 9,916,220	\$ 26,210,126	\$ 34,853,810
FNIHB					6,219,545	5,582,930			6,219,545	5,582,930
CMHC	-	-	-	-	-	-	-	-	558,659	451,702
Subtotal					6,646,570	5,834,777	583,476	9,916,220	32,988,330	40,888,442
Other revenue	1,604,374	3,025,655	907,548	923,010	154,675	71,574	-	-	11,588,127	12,762,188
Total revenue	1,604,374	3,025,655	907,548	923,010	6,801,245	5,906,351	583,476	9,916,220	44,576,457	53,650,630
Expenses										
Amortization	65,420	63,030	4,305	4,570	174,327	149,203		63,111	3,003,215	2,561,653
Debt servicing	5,152	8,848	222	202	1,351	1,585			312,428	301,199
Salaries and benefits	935,373	1,095,322	163,343	123,616	3,554,525	3,111,648			17,074,237	16,324,609
Other	887,061	1,565,920	813,852	970,546	1,652,499	1,180,495		10,330	23,019,896	23,631,341
Total expenses	1,893,006	2,733,120	981,722	1,098,934	5,382,702	4,442,931	-	73,441	43,409,776	42,818,802
	-	-	-	-	-	-	-	-	-	-
Surplus (Deficit)	\$ (288,632)	\$ 292,535	\$ (74,174)	\$ (175,924)	\$ 1,418,543	\$ 1,463,420	\$ 583,476	\$ 9,842,779	\$ 1,166,681	\$ 10,831,828