

**GARDEN HILL FIRST NATION
INDEPENDENT AUDITORS' REPORT
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014**

GARDEN HILL FIRST NATION

MARCH 31, 2014

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying Consolidated financial statements of Garden Hill First Nation and all the information in this annual report are the responsibility of management and have been approved by the 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 or judgments. 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.

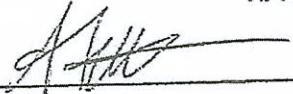
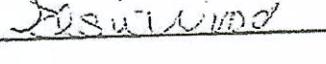
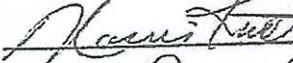
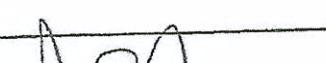
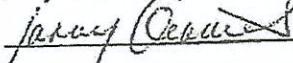
The First Nation is responsible for maintaining systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the assets are appropriately accounted for and adequately safeguarded.

The First Nation is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The Chief and Council reviews and approves the First Nation's Consolidated financial statements. The 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 annual report, the financial statements and the external auditors' report. The Chief and Council also approves the engagement of the external auditors.

The Consolidated financial statements have been audited by PKBW GROUP Chartered Accountants & Business Advisors Inc. in accordance with Canadian generally accepted auditing standards. PKBW GROUP Chartered Accountants & Business Advisors Inc. have full and free access to the Chief and Council.

APPROVED BY CHIEF AND COUNCIL:

	Chief		Councillor
	Councillor		Councillor
	Councillor		Councillor
	Councillor		Councillor
	Councillor		Councillor

INDEPENDENT REVIEW ENGAGEMENT REPORT



G R O U P
CHARTERED ACCOUNTANTS
& BUSINESS ADVISORS INC.

To The Members of Garden Hill First Nation, Chief and Council :

We have audited the accompanying Consolidated financial statements of Garden Hill First Nation, which comprise the statement of financial position as at March 31, 2014, and the statements of operations, changes in net financial assets, and cash flow 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 the 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 financial statements are free from 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 organization'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 organization'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 financial statements.

Except as described in the basis for qualified opinion paragraph, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

During the course of our audit for the current year, we were unable to obtain sufficient appropriate audit evidence for the revenues and expenses of the Daycare and Winter Road Operations and accounts and the Kitiganwacheeng Health Services Inc. financial statements audited by another firm of chartered accountants whose report is dated October 21, 2014 is qualified for inventory. Consequently, we were unable to determine whether any adjustments, if any, might be required to adjust revenues and expenses of Daycare and Winter Road Operations and Health Services accounts.

Qualified Opinion

In our opinion, except for the effect of adjustments described in the preceding paragraph, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of Garden Hill First Nation as at March 31, 2014 and the consolidated statements of operations, changes in net debt, and cash flow for the year then ended in accordance with Canadian public sector accounting standards.

Other matters

Supplementary information contained in schedules on pages 20 - 70 are unaudited.

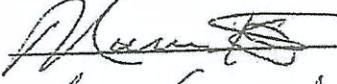
PKBW Group

CHARTERED ACCOUNTANTS
& BUSINESS ADVISORS INC.

**GARDEN HILL FIRST NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2014**

	<u>2014</u>	<u>2013</u>
FINANCIAL ASSETS		
Cash(Note 2)	\$ 1,800,183	-
Trust funds (Note 3)	9,257	8,239
Accounts receivable (Note 4)	<u>707,794</u>	<u>1,158,007</u>
	<u>2,517,234</u>	<u>1,166,246</u>
LIABILITIES		
Bank indebtedness	-	241,500
Accounts payable and accrued liabilities (Note 5)	10,264,445	6,917,079
Deferred revenue (Note 6)	3,755	58,889
Long-term debt (Note 7)	<u>15,306,571</u>	<u>16,274,623</u>
	<u>25,574,771</u>	<u>23,492,091</u>
NET FINANCIAL ASSETS	<u>(23,057,537)</u>	<u>(22,325,845)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 10)	112,672,358	117,457,894
Prepaid expenses	<u>1,442,844</u>	<u>1,743,254</u>
	<u>114,115,202</u>	<u>119,201,148</u>
ACCUMULATED SURPLUS	<u>\$ 91,057,665</u>	<u>96,875,303</u>

APPROVED BY CHIEF AND COUNCIL:

 Chief _____ Councillor _____
 Councillor _____ Councillor _____
 Councillor _____ Councillor _____
 Councillor _____ Councillor _____

GARDEN HILL FIRST NATION
CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2014

	<u>2014</u>		<u>2013</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
REVENUE			
Federal funding			
Aboriginal Affairs and Northern Development			
Canada - Operating	\$ 24,676,181	27,257,559	26,617,599
Aboriginal Affairs and Northern Development			
Canada - Capital	1,920,900	2,368,745	403,501
Canadian Mortgage and Housing Corporation	330,000	324,183	329,825
Health Canada	-	3,938,186	3,734,871
Service Canada	-	345,777	389,296
Other	<u>1,285,972</u>	<u>2,438,544</u>	<u>2,364,285</u>
	<u>28,213,053</u>	<u>36,672,994</u>	<u>33,839,377</u>
EXPENSES			
Salaries and benefits	9,721,031	12,924,599	13,863,317
Debt servicing	-	368,307	424,050
Other	-	21,490,605	18,505,042
Amortization	<u>17,642,561</u>	<u>5,436,870</u>	<u>1,734,066</u>
	<u>27,363,592</u>	<u>40,220,381</u>	<u>34,526,475</u>
ANNUAL SURPLUS (DEFICIT)	\$ 849,461	(3,547,387)	(687,098)
ACCUMULATED SURPLUS, BEGINNING OF YEAR AS PREVIOUSLY REPORTED	\$ 96,875,303	96,875,303	11,535,912
CORRECTION OF PRIOR PERIOD ERRORS (Note 9)	(2,270,250)	(2,270,251)	86,026,489
ACCUMULATED SURPLUS AS RESTATED	94,605,053	94,605,052	97,562,401
ANNUAL SURPLUS (DEFICIT)	<u>849,461</u>	<u>(3,547,387)</u>	<u>(687,098)</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 95,454,514</u>	<u>91,057,665</u>	<u>96,875,303</u>

GARDEN HILL FIRST NATION
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
YEAR ENDED MARCH 31, 2014

	<u>2014</u>	<u>2013</u>
	<u>Budget</u>	<u>Actual</u>
ANNUAL SURPLUS (DEFICIT)	<u>\$ 849,461</u>	<u>(3,547,387)</u>
Tangible capital assets		
Acquisition of capital assets	-	(1,993,282)
Amortization of capital assets	<u>-</u>	<u>5,436,870</u>
	<u>-</u>	<u>3,443,588</u>
Other non-financial assets		
Consumption (acquisition) of construction in progress	-	-
Consumption (acquisition) of inventories of supplies	-	106,238
Consumption (acquisition) of prepaid expenses	<u>-</u>	<u>300,410</u>
	<u>-</u>	<u>300,410</u>
INCREASE IN NET DEBT	<u>\$ 849,461</u>	<u>196,611</u>
NET DEBT BEGINNING OF YEAR AS PREVIOUSLY REPORTED	<u>\$ (22,325,845)</u>	<u>(22,325,845)</u>
CORRECTION OF PRIOR PERIOD ERRORS (Note 9)	<u>(908,302)</u>	<u>(908,303)</u>
NET DEBT AS RESTATED	<u>(23,234,147)</u>	<u>(23,234,148)</u>
INCREASE IN NET DEBT	<u>849,461</u>	<u>196,611</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>\$ (22,384,686)</u>	<u>(23,037,537)</u>
		<u>(22,325,845)</u>

GARDEN HILL FIRST NATION
CONSOLIDATED STATEMENT OF CASH FLOW
YEAR ENDED MARCH 31, 2014

	<u>2014</u>	<u>2013</u>
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Annual deficit	\$ (3,547,387)	(687,098)
Prior period expenses	(2,270,251)	-
Reduction (increase) of prepaid expenses	300,410	(1,555,678)
Amortization of tangible capital assets	<u>5,436,870</u>	<u>1,734,066</u>
	(80,358)	(508,710)
Change in non-cash working capital:		
Accounts receivable	450,213	(219,926)
Accounts payable and accrued liabilities	3,347,366	1,953,791
Deferred revenue	<u>(55,134)</u>	<u>23,088</u>
	<u>3,662,087</u>	<u>1,248,243</u>
CAPITAL ACTIVITIES		
Acquisition of capital assets	<u>(651,333)</u>	<u>(1,993,283)</u>
FINANCING ACTIVITIES		
Long-term debt advances (repayment)	<u>(968,053)</u>	<u>1,255,953</u>
INCREASE IN CASH	<u>2,042,701</u>	<u>510,913</u>
BANK INDEBTEDNESS, BEGINNING OF YEAR	<u>(233,261)</u>	<u>(744,174)</u>
CASH (BANK INDEBTEDNESS), END OF YEAR	<u>\$ 1,809,440</u>	<u>(233,261)</u>
CASH IS REPRESENTED BY:		
Cash in bank	\$ 1,800,183	-
Trust funds	9,257	8,239
Bank indebtedness	<u>-</u>	<u>(241,500)</u>
	<u>\$ 1,809,440</u>	<u>(233,261)</u>

GARDEN HILL FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The First Nation follows the AANDC accounting guidelines as set out in the "Year End Reporting Handbook for First Nation Audited Financial Statements" - Fiscal Year period 2013-2014 which requires that the consolidated financial statements be prepared in accordance with Canadian generally accepted accounting principles for governments, as defined in the Canadian Institute of Chartered Accountants (CICA) Public Sector Accounting Handbook.

(b) Reporting Entity

Garden Hill First Nation is a non-profit Indian Band as defined by Aboriginal Affairs and Northern Development Canada (AANDC). The objective of the First Nation is to operate as the governing entity in providing services on the reserve in all areas. The Garden Hill First Nation reporting entity includes all related entities which are accountable to the First Nation and are either owned or controlled by the First Nation. The First Nation operated under Third Party Management during the year.

(c) Basis of consolidation

All controlled entities are fully consolidated on a line-by-line basis. This method combines the accounts of distinct organizations. It requires uniform accounting policies for the organizations. Inter-organizational balances and transactions are eliminated under this method. This method reports the organizations as if they were one organization.

These consolidated financial statements include the assets, liabilities, net debt, non financial assets, accumulated surplus, revenue and expenses for the following entities controlled or owned by the First Nation:

Garden Hill First Nation
Garden Hill First Nation Third Party Management (BDO Canada LLP)
Garden Hill First Nation Health Authority (Kitiganwacheeng Health Services Inc.)
Garden Hill First Nation Housing Authority (CMHC)
Garden Hill First Nation Employment and Training
Mekanaw Winter Road
Awasis Daycare Centre

(d) Net Debt

The First Nation's financial statements are presented so as to highlight net debt as the measurement of financial position. The net debt of the First Nation is determined by its liabilities less its financial assets. Net debt is comprised of two components, non-financial assets and accumulated surplus.

(e) 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, construction in progress, prepaid expenses and inventories of supplies.

(f) Inventory

Inventory is stated at the lower of cost and net realizable value with cost being determined using the first-in, first-out cost method.

GARDEN HILL FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Tangible Capital Assets

Tangible capital assets include acquired, built, developed and improved tangible capital assets, whose useful life extends beyond one year and which are intended to be used on an ongoing basis for producing goods or delivering services.

Tangible capital assets are reported at gross cost. Contributions received to assist in the acquisition of tangible capital assets are reported as deferred revenue and amortized to income at the same rate as the related asset.

Certain assets which have historical or cultural value, including works of art, historical documents and historical and cultural artifacts, are not recognized as tangible capital assets. Assets under construction are not amortized until the asset is available to be put into service.

Amortization of tangible capital assets is recognized as an expense in the Statement of Operations. Amortization is provided for on a declining balance basis at the rates in the table that follows. One-half of the annual amortization is charged in the year of acquisition and in the year of disposal.

Land improvements	20 years
Capital structures	40 years
Housing	25 years
Equipment	5 - 10 years
Roads	50 years
Roads	50 years
Bridge	30 years
Vehicles	10 - 15 years

(h) Deferred Revenue

Deferred revenue represents unspent Government transfers for programs, where the eligibility criteria has not been met at year end. The unspent revenue is carried forward to be recognized as eligibility criteria is met or until the funder deems the surpluses to be repayable at which time an amount payable is recognized.

(i) Revenue Recognition

Government transfers

Transfers from the Government of Canada are recognized as revenue in the year the entitlement has been authorized, when any eligibility criteria have been met and when the amount can be reasonably estimated.

Other revenue

Restricted other revenue is recognized as revenue in the year in which the related expenses are incurred and when the amount can be reasonably estimated and collection is reasonably assured.

Unrestricted other revenue is recognized when:

- services have been performed, or
- goods have been delivered, or
- the amount has been received or is receivable,
- and when the amount can be reasonably estimated and collection is reasonably assured.

GARDEN HILL FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Segmented Information

The First Nation discloses segmented results of operations for the year in note 7 to the financial statements. The First Nation has segregated its activities into the following segments based on distinguishable groups of activities;

Health

Health programs

Education

Education facilities and programs

Social

Social services - basic needs, special needs and home support
 Prevention programs

Economic Development

Economic development
 Employment and training
 Skills Link
 Summer students

Public Works

Operations and maintenance
 Policing and fire protection
 Water
 Waste water
 Winter road

Band Government

Band administration
 Emergency measures

Housing

Housing and capital
 CMHC housing

Private enterprise

Daycare

2. CASH AND BANK INDEBTEDNESS

	<u>2014</u>	<u>2013</u>
Unrestricted - operating	\$ 1,729,016	(241,500)
Externally restricted - CMHC	<u>71,167</u>	-
	<u>\$ 1,800,183</u>	<u>(241,500)</u>

Restrictions on cash

The First Nation is subject to restrictions placed on its cash due to an agreement with CMHC. As at March 31, 2014, \$71,167 (2013 - \$Nil) was restricted for expenditures to be approved by CMHC.

GARDEN HILL FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014

3. TRUST FUNDS HELD BY THE FEDERAL GOVERNMENT

	<u>March 31, 2013</u>	<u>Additions 2014</u>	<u>Withdrawals 2014</u>	<u>March 31, 2014</u>
Revenue	\$ 8,239	1,018	-	9,257
Capital	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 8,239</u>	<u>1,018</u>	<u>-</u>	<u>9,257</u>

The trust funds arise from monies derived from capital or revenue sources as outlined in Section 62 of the Indian Act. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada. The management of these funds is primarily governed by Section 63 to 69 of the Indian Act.

4. ACCOUNTS RECEIVABLE

	<u>PAYE</u>	<u>Other</u>	<u>Total</u>
AANDC			
Social basic needs (02305)	\$ 171,892	-	171,892
Water - Under \$1.5M funding (08580)	9,000	-	9,000
Band support funding - TPM (01012)	75,326	-	75,326
General accounts receivable	-	146,564	146,564
Winter road	-	279,835	279,835
Daycare	-	(93,862)	(93,862)
Health	<u>-</u>	<u>119,039</u>	<u>119,039</u>
Other	<u>\$ 256,218</u>	<u>451,576</u>	<u>707,794</u>

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

2014

2013

Trade payables	<u>\$ 10,264,445</u>	<u>6,917,079</u>
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6. DEFERRED REVENUE

	<u>Balance March 31, 2013</u>	<u>Funding Received 2014</u>	<u>Revenue Recognized 2014</u>	<u>Balance March 31, 2014</u>
Federal Government				
Health Canada	\$ 25,889	-	22,134	3,755
AANDC				
Water systems (08558)	<u>33,000</u>	<u>-</u>	<u>33,000</u>	<u>-</u>
	<u>\$ 58,889</u>	<u>-</u>	<u>55,134</u>	<u>3,755</u>

GARDEN HILL FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014

7. LONG-TERM DEBT	<u>2014</u>	<u>2013</u>
North West Company contingency debt. See note 8(a)	\$ 246,000	510,000
400 Management Group contingency debt. See note 8(b).	3,875,000	3,875,000
Tribal Wi Chi Way Win loan, interest at 10%, due March 1, 2016, repayable in monthly installments of \$2,576, unsecured.	236,000	236,000
Peace Hills Trust Loan, interest at prime plus 1.50%, repayable in monthly installments of \$65,000, payments first applied to reduce principal outstanding then applied to forgivable interest.	5,722,696	6,136,768
Canada Mortgage and Housing Corporation, interest at 2.65%, due December 1, 2021, repayable in monthly installments of \$3,245, secured by a Ministerial Guarantee, and an assignment of fire insurance.	272,643	303,940
Canada Mortgage and Housing Corporation, interest at 3.17%, due November 1, 2033, repayable in monthly installments of \$7,592, secured by a Ministerial Guarantee, and an assignment of fire insurance.	1,327,646	1,377,336
Canada Mortgage and Housing Corporation, interest at 3.17%, due November 1, 2033, repayable in monthly installments of \$7,577, secured by a Ministerial Guarantee, and an assignment of fire insurance.	1,324,583	1,374,187
Canada Mortgage and Housing Corporation, interest at 2.86%, due December 31, 2033, repayable in monthly installments of \$6,331, secured by a Ministerial Guarantee, and an assignment of fire insurance..	1,141,598	1,185,188
Canada Mortgage and Housing Corporation, interest at 3.13%, due May 1, 2035, repayable in monthly installments of \$6,295, secured by a Ministerial Guarantee, and an assignment of fire insurance..	1,160,405	1,128,342
First Nations Bank of Canada fire truck loan, the amount of interest, payments and maturity dates are not currently subject to verification	-	100,000
First Nations Bank of Canada education loan, the amount of interest, payments and maturity dates are not currently subject to verification	-	47,862
	<u>\$ 15,306,571</u>	<u>16,274,623</u>

**GARDEN HILL FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014**

8. CONTINGENCIES

- (a) The Garden Hill First Nation is contingently liable to the Northwest Company for the amount of \$5,980,706 which will be reduced to the original principal amount of \$972,000 pursuant to an agreement between the two parties dated June 28, 2011 whereby the interest will be forgiven if the first nation continues to make the required payments of \$22,000 per month. The first nation is in compliance with this agreement and the final payment on this debt is expected to be made in October 2015. Should the First Nation fail to continue making these monthly payments at anytime, the entire debt becomes due and payable to the Northwest Company.
- (b) The Garden Hill First Nation is also contingently liable in the amount of \$3,875,000 on three loans payable to a related group of companies known as the 400 Management Group, these loans are payable to 5976511 Manitoba Ltd. (Laundry Mat construction loan), to 6230148 Manitoba Ltd. (Gasoline Purchase loan) and to 6230156 Manitoba Ltd. (Band Office and Community Centre Construction loan). The assets such as inventory and completed construction, the expenditures and the loan balances have not been recognized in these statements as the allocation and use of the proceeds of these loans was not determinable.

9. CORRECTION OF PRIOR PERIOD ERRORS

The prior period figures have been restated to include the tangible capital assets of the First Nation and previously unrecorded program assets, liabilities and surpluses or deficits. The cumulative effect of all prior period adjustments resulted in a \$2,412,369 increase to the 2014 year-end accumulated surplus (2013 - \$86,026,489) and an decrease in the prior years net financial assets of \$(1,070,421) (2013 - \$(8,265,000)).

**GARDEN HILL FIRST NATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014**

10. TANGIBLE CAPITAL ASSETS

	COST			ACCUMULATED AMORTIZATION			NET BOOK VALUE		
	Opening Balance (As Restated)	Additions	Transfers	Closing Balance	(As Restated)	Amortization	Closing Balance	Total 2014	Total 2013
Tangible Capital Assets									
CMHC housing	\$ 10,123,884	-	-	10,123,884	986,376	206,585	1,192,961	8,930,923	9,137,508
Arena	3,061,718	-	-	3,061,718	541,706	76,543	618,249	2,443,469	2,520,012
Public safety building	2,043,435	-	-	2,043,435	242,311	51,086	293,397	1,750,038	1,801,124
Equipment	730,966	68,197	-	799,163	623,348	17,936	641,284	157,879	107,618
Education facility	26,494,300	43,643	-	26,537,943	2,657,796	662,358	3,320,154	23,217,789	23,836,504
Water treatment plant	4,135,266	-	-	4,135,266	414,833	103,382	518,215	3,617,051	3,720,433
Health centre	167,052	-	-	167,052	167,052	-	167,052	-	-
Bridge	562,310	-	-	562,310	487,336	18,744	506,080	56,230	74,974
Roads	6,581,395	-	-	6,581,395	4,043,740	130,313	4,174,053	2,407,342	2,537,655
Vehicles	1,777,565	-	-	1,777,565	418,692	121,216	539,908	1,237,657	1,358,873
Capital structures	49,356,198	388,821	-	49,745,019	15,483,914	1,302,080	16,785,994	32,959,025	33,872,284
Land improvements	880,381	-	-	880,381	602,419	30,885	633,304	247,077	277,962
Band housing	67,893,518	150,672	-	68,044,190	29,680,571	2,715,741	32,396,312	35,647,878	38,212,947
TOTAL	\$ 173,807,988	651,333	-	174,459,321	56,350,094	5,436,869	61,786,963	112,672,358	117,457,894

**GARDEN HILL FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014**

11. USE OF ESTIMATES

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting periods presented. Actual results could differ from these estimates.

12. RISK MANAGEMENT

(a) Credit risk

Credit risk is the risk that a counterparty will default on its financial liabilities.

Financial assets which potentially subject the First Nation to credit risk and concentrations of credit risk consist principally of cash and accounts receivable.

Management manages credit risk associated with accounts receivable by pursuing collections when they are due.

(b) Liquidity risk

Liquidity risk is the risk that the First Nation will not be able to meet its financial obligations related to financial liabilities as they come due. Financial liabilities consist of demand loans, accounts payable and accrued liabilities, AANDC contribution funding repayable and long-term debt. Accounts payable and accrued liabilities are paid in the normal course of operations and except under certain exceptions, no later than three months. The repayment terms of other financial liabilities are disclosed in notes above.

The First Nation's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet liabilities when due. At March 31, 2013, the First Nation has a cash balance of \$1,800,183, 2013 \$(241,500), and a net debt position of \$23,057,537, 2013 \$(22,325,845). Accordingly, there exists significant risk that the First Nation will not be able to meet all its financial obligations as they come due.

(c) Interest Rate Price Risk

It is management's opinion that the First Nation is exposed to interest rate price risk due to long-term debt being at being at a fixed rate.

GARDEN HILL FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014

13. EXPENSES BY OBJECT

	<u>2014</u>	<u>2013</u>
Administration and office	\$ 1,145,030	2,150,926
Amortization	5,436,870	1,734,066
Bank charges and interest	382,461	215,578
Capital materials and equipment	198,934	789,085
Contracts and fees	1,401,715	1,284,640
Fuel	115,193	97,121
Business development	107,879	-
Insurance	210,218	207,604
Maintenance	2,432,655	2,195,251
Old debt and debt payments	337,258	296,555
Other	10,593,550	9,084,501
Professional services	14,167	334,247
Rental	26,970	13,743
Salaries and benefits	12,924,599	13,863,317
Staff development	211,789	35,782
Supplies and services	3,254,519	641,023
Telephone	142,896	77,564
Travel	658,192	400,875
Utilities	<u>625,485</u>	<u>1,104,597</u>
	<u>\$ 40,220,380</u>	<u>34,526,475</u>

14. GOVERNMENT TRANSFERS

	<u>Operating</u>	<u>Capital</u>	<u>Total</u>
	<u>2014</u>		
Aboriginal and Northern Development Canada	\$ 27,257,558	2,368,745	29,626,303
Health Canada	3,938,186	-	3,938,186
Canada Mortgage and Housing Corporation	324,183	-	324,183
Service Canada	<u>345,777</u>	<u>-</u>	<u>345,777</u>
	<u>\$ 31,865,704</u>	<u>2,368,745</u>	<u>34,234,449</u>

	<u>Operating</u>	<u>Capital</u>	<u>Total</u>
	<u>2013</u>		
Aboriginal and Northern Development Canada	\$ 26,617,599	403,501	27,021,100
Health Canada	3,734,871	-	3,734,871
Canada Mortgage and Housing Corporation	329,825	-	329,825
Service Canada	<u>389,296</u>	<u>-</u>	<u>389,296</u>
	<u>\$ 31,071,591</u>	<u>403,501</u>	<u>31,475,092</u>

15. COMPARATIVE FIGURES

The comparative figures have been adjusted to reflect the presentation adopted for the current year.

16. BUDGETED FIGURES

The budgeted figures have not been entered when a budget was not prepared for a program in the fiscal year.

**GARDEN HILL FIRST NATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014**

17. SEGMENTED INFORMATION

**GARDEN HILL FIRST NATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014**

17. SEGMENTED INFORMATION

	ECONOMIC DEVELOPMENT			PUBLIC WORKS			HOUSING		
	Budget 2014	2014	2013	Budget 2014	2014	2013	Budget 2014	2014	2013
REVENUES									
Federal Government									
Operating Transfers	289,073	289,073	1,157,641	\$ 2,835,776	4,622,173	3,002,032	-	-	-
Capital Transfers	-	-	-	-	-	-	330,000	324,183	329,825
CMHC	-	-	60,000	-	-	-	-	-	-
Service Canada	-	-	33,000	57,520	311,801	887,213	230,235	280,000	352,868
Other									
	<u>289,073</u>	<u>322,073</u>	<u>1,275,161</u>	<u>3,147,577</u>	<u>5,509,386</u>	<u>3,232,267</u>	<u>610,000</u>	<u>677,051</u>	<u>612,557</u>
EXPENSES									
Salaries and benefits	66,083	65,726	158,222	2,055,453	2,424,464	945,192	-	-	-
Debt servicing	-	-	-	-	320	354	161,400	366,752	166,352
Amortization	-	-	-	-	3,830,213	180,491	-	238,415	206,585
Other	222,990	114,888	1,552,165	1,764,070	3,482,965	1,690,657	176,000	232,968	223,577
	<u>289,073</u>	<u>180,614</u>	<u>1,710,387</u>	<u>3,819,523</u>	<u>9,737,962</u>	<u>2,816,694</u>	<u>337,400</u>	<u>838,135</u>	<u>596,514</u>
ANNUAL SURPLUS (DEFICIT)									
	-	141,459	(435,226)	\$ (671,946)	(4,228,576)	415,573	272,600	(161,084)	16,043

**GARDEN HILL FIRST NATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014**

17. SEGMENTED INFORMATION

	BAND GOVERNMENT			PRIVATE ENTERPRISE		
	Budget 2014	2014	2013	Budget 2014	2014	2013
REVENUES						
Federal Government						
Operating Transfers	\$ 1,839,506	1,786,568	1,666,335	-	-	-
Capital Transfers	1,920,900	2,368,745	403,501	-	-	-
CMHC	-	-	-	-	-	-
Service Canada	-	-	-	345,777	329,296	
Other	481,100	608,626	814,923	83,265	114,890	
	<u>4,241,506</u>	<u>4,763,939</u>	<u>2,884,759</u>	<u>429,042</u>	<u>441,186</u>	
EXPENSES						
Salaries and benefits	1,004,090	977,341	972,675	-	359,923	337,165
Debt servicing	-	121	33,633	-	1,114	916
Amortization	-	134,729	511,419	-	-	-
Other	2,309,136	2,224,083	1,078,467	-	102,645	104,748
	<u>3,313,226</u>	<u>3,336,274</u>	<u>2,596,194</u>	<u>-</u>	<u>463,682</u>	<u>442,829</u>
ANNUAL SURPLUS (DEFICIT)	\$ 928,280	1,427,665	288,565	-	(34,640)	1,357

**GARDEN HILL FIRST NATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014**

17. SEGMENTED INFORMATION

	ADJUSTMENTS			CONSOLIDATED TOTAL		
	Budget 2014	2014	2013	Budget 2014	2014	2013
REVENUES						
Federal Government	-	-	-	24,676,181	31,195,745	30,352,470
Operating Transfers	-	-	-	1,920,900	2,368,745	403,501
Capital Transfers	-	-	-	330,000	324,183	329,825
CMHC	-	-	-	-	345,777	389,296
Service Canada	-	-	-	-	1,565,972	2,438,544
Other	-	-	-	-	-	2,364,285
	-	-	-	28,493,053	36,672,994	33,839,377
EXPENSES						
Salaries and benefits	-	-	-	9,721,031	12,924,599	13,863,317
Debt servicing	-	-	-	161,400	368,307	424,050
Amortization	-	-	-	-	5,436,870	1,734,066
Other	-	-	-	17,818,562	21,490,605	18,505,042
	-	-	-	27,700,993	40,220,381	34,526,475
ANNUAL SURPLUS (DEFICIT)						
	-	-	-	792,060	(3,547,387)	(687,098)