
GARDEN HILL FIRST NATION

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2017

GARDEN HILL FIRST NATION

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MARCH 31, 2017

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Garden Hill First Nation are the responsibility of management and have been approved by Chief and Council.

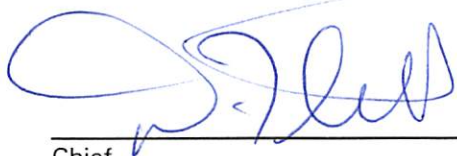
The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants and as such include amounts that are the best estimates and judgments of management.

Management is responsible for the integrity and objectivity of these statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

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 Garden Hill First Nation and meet when required.



Chief



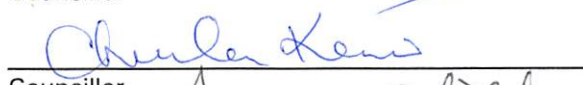
Councillor



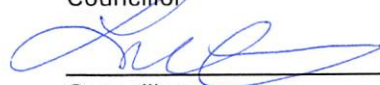
Councillor



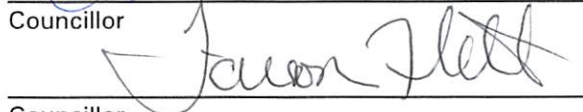
Councillor



Councillor



Councillor



Councillor



Councillor

INDEPENDENT AUDITORS' REPORT

To the Chief, Council and Membership
Garden Hill First Nation

We have audited the accompanying consolidated financial statements of Garden Hill First Nation, which comprise the consolidated statement of financial position as at March 31, 2017, and the consolidated statements of operations, 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 for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Garden Hill First Nation as at March 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matters

The financial statements of Garden Hill First Nation for the year ended March 31, 2016 were audited by another Chartered Professional Accounting firm who expressed a qualified opinion on November 4, 2016 (except as to Note 17 which is as of January 30, 2017).

Winnipeg, Manitoba
February 2, 2018

Collins Barrow HMA LLP
Chartered Professional Accountants

GARDEN HILL FIRST NATION

STATEMENT 1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MARCH 31

	2017	2016 <i>Restated</i>
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FINANCIAL ASSETS

Cash (Note 4)	\$ 3,646,754	\$ 3,611,727
Trust funds (Note 5)	12,686	11,591
Accounts receivable (Note 6)	<u>1,126,436</u>	<u>996,441</u>
	<u>4,785,876</u>	<u>4,619,759</u>

LIABILITIES

Accounts payable and accrued liabilities (Note 7)	8,597,848	14,192,450
Deferred revenue (Note 8)	1,032,696	221,763
Long-term debt (Note 9)	<u>4,507,584</u>	<u>4,936,020</u>
	<u>14,138,128</u>	<u>19,350,233</u>

NET DEBT	(<u>9,352,252</u>)	(<u>14,730,474</u>)
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NON-FINANCIAL ASSETS

Tangible capital assets (Note 10)	99,113,235	102,717,630
Construction in progress (Note 10)	2,123,000	2,123,000
Prepaid expenses	<u>592,943</u>	<u>1,009,077</u>
	<u>101,829,178</u>	<u>105,849,707</u>

ACCUMULATED SURPLUS	\$ <u>92,476,926</u>	\$ <u>91,119,233</u>
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CONTINGENT LIABILITIES (Note 11)

Approved on behalf of Chief and Council

Chief

Councillor

Councillor

Councillor

Councillor

Councillor

Councillor

Councillor

GARDEN HILL FIRST NATION

STATEMENT 2

CONSOLIDATED STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31

	BUDGET (UNAUDITED)	2 0 1 7	2 0 1 6 <i>Restated</i>
REVENUE			
Indigenous and Northern Affairs Canada (<i>Note 12</i>)	\$ 32,574,905	\$ 32,784,491	\$ 34,384,996
Canada Mortgage and Housing Corporation	1,212,028	1,280,623	330,316
First Nations and Inuit Health		4,574,195	4,198,678
Island Lake Tribal Council Inc.	462,256	462,256	463,043
Parent Fees		16,566	
Winter Road Revenue		308,651	
Others	<u>1,326,216</u>	<u>1,415,282</u>	<u>2,100,838</u>
	<u>35,575,405</u>	<u>40,842,064</u>	<u>41,477,871</u>
EXPENSES			
Amortization		5,602,398	5,547,166
Economic development	1,033,261	558,100	290,387
Education	14,790,146	13,834,357	12,320,930
Governance and administration	1,988,669	2,032,517	2,739,269
Health		4,630,667	4,211,183
Housing	1,333,097	1,099,880	324,779
Private enterprise	437,256	464,302	450,471
Public works	5,140,871	3,686,114	7,840,548
Social services	<u>10,220,764</u>	<u>10,150,371</u>	<u>9,951,951</u>
	<u>34,944,064</u>	<u>42,058,706</u>	<u>43,676,684</u>
INCOME (LOSS) FROM OPERATIONS	631,341	(1,216,642)	(2,198,813)
OTHER INCOME			
Other income - forgiveness of debt (<i>Note 13</i>)	<u>-</u>	<u>2,574,335</u>	<u>-</u>
ANNUAL SURPLUS (DEFICIT)	631,341	1,357,693	(2,198,813)
ACCUMULATED SURPLUS, <i>beginning of year</i>	91,119,233	91,119,233	88,594,882
PRIOR PERIOD ADJUSTMENTS (<i>Note 3</i>)	<u>-</u>	<u>-</u>	<u>4,723,164</u>
ACCUMULATED SURPLUS, <i>end of year</i>	<u>\$ 91,750,574</u>	<u>\$ 92,476,926</u>	<u>\$ 91,119,233</u>

GARDEN HILL FIRST NATION

STATEMENT 3

CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT

YEAR ENDED MARCH 31

	BUDGET (UNAUDITED)	2 0 1 7	2 0 1 6 <i>Restated</i>
Annual surplus (deficit)	\$ <u>631,341</u>	\$ <u>1,357,693</u>	\$ (<u>2,198,813</u>)
Acquisition of capital assets		(<u>1,998,003</u>)	(<u>630,876</u>)
Amortization of tangible capital assets		<u>5,602,398</u>	<u>5,547,166</u>
Consumption (acquisition) of construction in progress			(<u>1,041,868</u>)
Consumption (acquisition) of prepaid expenses	<u>-</u>	<u>416,134</u>	<u>47,253</u>
	<u>-</u>	<u>4,020,529</u>	<u>3,921,675</u>
CHANGE IN NET DEBT FOR YEAR	631,341	5,378,222	1,722,862
NET DEBT, <i>beginning of year</i>	(<u>14,730,474</u>)	(<u>14,730,474</u>)	(<u>16,453,336</u>)
NET DEBT, <i>end of year</i>	<u>\$ (14,099,133)</u>	<u>\$ (9,352,252)</u>	<u>\$ (14,730,474)</u>

GARDEN HILL FIRST NATION

STATEMENT 4

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31

	2 0 1 7	2 0 1 6 <i>Restated</i>
CASH FLOW FROM		
OPERATING ACTIVITIES		
Cash received from INAC	\$ 33,582,913	\$ 35,360,854
Cash received from FNIHB	4,574,195	4,198,678
Cash received from other sources	5,940,229	3,002,248
Cash paid to suppliers and employees	(41,507,346)	(37,880,493)
Cash paid for interest on long-term debt	(127,430)	(114,890)
	<u>2,462,561</u>	<u>4,566,397</u>
CAPITAL ACTIVITY		
Acquisition of tangible capital assets	(1,998,003)	(1,672,745)
FINANCING ACTIVITY		
Repayment of long-term debt	(428,436)	(1,152,719)
NET INCREASE IN CASH DURING YEAR	36,122	1,740,933
CASH, <i>beginning of year</i>	<u>3,623,318</u>	<u>1,882,385</u>
CASH, <i>end of year</i>	\$ <u><u>3,659,440</u></u>	\$ <u><u>3,623,318</u></u>
CASH COMPRISED OF		
Cash in bank	\$ 3,646,754	\$ 3,611,727
Trust funds	<u>12,686</u>	<u>11,591</u>
	\$ <u><u>3,659,440</u></u>	\$ <u><u>3,623,318</u></u>

GARDEN HILL FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2017

1. NATURE OF OPERATIONS

Garden Hill First Nation (the "First Nation") is a non-profit Indian Band as defined by Indigenous and Northern Affairs Canada (INAC). The objective of the First Nation is to operate as the governing entity in providing services on the reserve in all areas. The 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.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

These consolidated financial statements are the representations of management and have been prepared in accordance with Canadian public sector accounting standards prescribed for governments, as defined by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada, which encompasses the following principles.

REPORTING ENTITY

The consolidated financial statements report the financial activities of all entities and departments comprising the reporting entity of the First Nation.

PRINCIPLES 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 Center
- 6982426 MB. Ltd. (East Side Road Authority)

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

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

SEGMENTS

The First Nation conducts its business through a number of reportable segments. These operating segments are established by senior management to facilitate the achievement of the First Nation's long-term objectives to aid in resource allocation decisions, and to assess operational performance.

Health

Health programs

Education

Education facilities and programs

Social

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

Economic Development

Economic development
Employment and training
Skills Link

Public Works

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

Band Government

Band administration
Emergency measures

Housing

Housing and capital
CMHC Housing

Private enterprise

Daycare

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 and prepaid expenses.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2017

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)**NON-FINANCIAL ASSETS*

The First Nation's tangible capital assets, construction in progress and prepaid expenses are accounted for as assets because they can be used to provide government services in future periods. These assets do not normally provide resources to discharge the liabilities of the First Nation unless they are sold.

CASH

Cash includes cash on hand, balances in banks and net of bank overdrafts.

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 net book value. Contributions received to assist in the acquisition of tangible capital assets are reported as deferred revenue and amortized at the same rate as the related asset.

Amortization of tangible capital assets is recognized as an expense in the Statement of Operations. Amortization is provided for on a straight line basis, over the expected useful lives of the assets. One-half of the annual amortization is charged in the year of acquisition and in the year of disposal.

Social housing assets acquired under Canada Mortgage and Housing Corporation (CMHC) sponsored programs are amortized over their estimated useful lives at a rate equivalent to the annual principal reduction in related long-term debt. Assets under construction are not amortized until the asset is available to be put into service.

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

LONG-LIVED ASSETS

Long-lived assets consist of tangible capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The First Nation performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying amount of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the asset's carrying amount. Impairment is measured as the amount by which the asset's carrying amount exceeds its fair value. Any impairment is included in the statement of operations and accumulated surplus for the year in which the asset becomes impaired.

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

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)**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 combined with non-financial assets comprises a second indicator of financial position, accumulated surplus.

REVENUE RECOGNITION

Revenue is recognized in the year in which the transactions or events occurred that gave rise to the revenue. All revenue is recorded on an accrual basis, except when the accrual cannot be determined with a reasonable degree of certainty or when its estimation is impracticable.

Government transfer revenue which includes Indigenous and Northern Affairs Canada (INAC), First Nations and Inuit Health and Canada Mortgage and Housing Corporation is recognized as revenue when the transfer is authorized and any eligibility criteria under the terms of the applicable funding agreement 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 and accumulated surplus as the stipulations are settled.

Contributions from other sources are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose.

Revenue related to fees or services received in advance of the fee being earned or the service performed is deferred and recognized when the fee is earned or service is performed.

FAIR VALUE

Due to the short term nature of all financial instruments other than long-term debt, the carrying value as presented in financial statements are reasonable estimates of fair value. Management has estimated fair value by reference to established financial markets. As is true for all estimates, actual fair value could differ from this estimate, and if so any difference would be accounted for in the period in which it becomes known.

USE OF ESTIMATES

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of financial statements and the reported amounts of certain revenue and expenses during the year. Actual results could differ from those estimates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2017

3. PRIOR PERIOD ADJUSTMENT

The First Nation has some old payable account and long-term debt account settled in prior year but not adjusted due to proper accounting treatment. The accounts payable and long-term debt adjustments were corrected and recorded in prior year.

BDO Canada LLP in Trust for Garden Hill First Nation Third Party Managed INAC Programs restated its 2016 financial statement balances. In the 2016 fiscal year, the due to related parties account was overstated. This was corrected in the current year.

6982426 MB Ltd. is 100% owned by Garden Hill First Nation. Last year account consolidated balances were corrected to include all the accounts of 6982426 MB Ltd.

Kitiganwacheeng Health Services Inc. corrected its recorded 2016 deferred revenue amounting to \$60,000.

The financial statements' impact on amounts previously presented for the year ended March 31, 2016 are as follows:

	As previously reported	Increase (Decrease)	Restated
<u>Statement of Financial Position</u>			
Total assets	\$ <u>4,674,633</u>	\$ (<u>54,874</u>)	\$ <u>4,619,759</u>
Total liabilities	\$ (<u>24,128,271</u>)	\$ <u>4,778,038</u>	\$ (<u>19,350,233</u>)
<u>Statement of Operations and Accumulated Surplus</u>			
Accumulated surplus	\$ (<u>86,396,069</u>)	\$ (<u>4,723,164</u>)	(<u>91,119,233</u>)

4. CASH

Cash is comprised of the following:

	2 0 1 7	2 0 1 6 <i>Restated</i>
Operating account	\$ <u>2,995,557</u>	\$ 2,935,163
CMHC (See Note 5)	<u>651,197</u>	<u>676,564</u>
	\$ <u><u>3,646,754</u></u>	\$ <u><u>3,611,727</u></u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2017

5. RESTRICTED CASH

CMHC Replacement Reserve

Under the terms of the funding agreements with CMHC, the Replacement Reserve is to be credited with an annual allocation of \$72,600 along with accumulated interest which must be held in a separate bank account and/or invested in accounts or instruments insured by 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. At the year end, the funds in the Reserve consist of the following balances:

	2 0 1 7	2 0 1 6
Replacement Reserve Fund	\$ 456,726	\$ 402,309
Operating Reserve Fund	<u>194,471</u>	<u>274,255</u>
	<u>\$ 651,197</u>	<u>\$ 676,564</u>

Trust Funds Held by the Federal Government

The trust funds arise from monies derived from capital or revenue sources as outlined in Section 62 of the Indian Act. These funds 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.

	2 0 1 7	2 0 1 6
Beginning balance	\$ 11,591	\$ 10,499
Additions	<u>1,095</u>	<u>1,092</u>
	<u>\$ 12,686</u>	<u>\$ 11,591</u>

6. ACCOUNTS RECEIVABLE

	2 0 1 7	2 0 1 6 <i>Restated</i>
Indigenous and Northern Affairs Canada		
Remediation	\$ 252,396	\$
Band support funding	91,442	24,913
Waste management	69,421	
Outdoor rink	63,000	
Economic development	25,150	
Tuition agreements	16,110	2,300
Social basic needs		159,750
Winter road		30,000
GSMWG Steps 7-9		252,059
Prior year recoveries	34,014	
Canada Mortgage and Housing Corporation	292,198	
Province of Manitoba		166,048
Trade and other receivables	<u>282,705</u>	<u>361,371</u>
	<u>\$ 1,126,436</u>	<u>\$ 996,441</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2017

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2 0 1 7	2 0 1 6 <i>Restated</i>
Trade payables and accrued liabilities	\$ 1,617,753	\$ 2,905,839
Summer project - INAC	2,507	2,507
Tuition agreements - INAC	5,863	5,863
Old debt payables	<u>6,971,725</u>	<u>11,278,241</u>
	<u>\$ 8,597,848</u>	<u>\$ 14,192,450</u>

8. DEFERRED REVENUE

	2 0 1 7	2 0 1 6 <i>Restated</i>
INAC		
Water system	\$ 314,278	\$
INAC FNHI Phase	172,948	
Housing acquisition	130,707	
Capacity development	130,000	
Lot servicing	120,000	
Outdoor rink	63,000	
Water & Sewage Retrofit	<u>-</u>	<u>50,000</u>
	930,933	50,000
CMHC Grant		70,000
FNIHB	<u>101,763</u>	<u>101,763</u>
	<u>\$ 1,032,696</u>	<u>\$ 221,763</u>

9. LONG-TERM DEBT

	2 0 1 7	2 0 1 6 <i>Restated</i>
Peace Hills Trust Loan, interest at prime plus 1.50%, repayable in monthly installments of \$67,000, payments first applied to reduce principal outstanding then applied to delinquent interest.	\$ -	\$ 180,146
Canada Mortgage and Housing Corporation, interest at 1.12%, due December 1, 2021, repayable in monthly installments of \$3,083, secured by a Ministerial Guarantee, and an assignment of fire insurance.	171,034	205,907
Canada Mortgage and Housing Corporation, interest at 2.11%, due November 1, 2033, repayable in monthly installments of \$6,873, secured by a Ministerial Guarantee, and an assignment of fire insurance.	1,158,795	1,216,321
Canada Mortgage and Housing Corporation, interest at 2.11%, due November 1, 2033, repayable in monthly installments of \$6,857, secured by a Ministerial Guarantee, and an assignment of fire insurance.	1,156,121	1,213,515

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2017

9. LONG-TERM DEBT *(continued)*

2017 2016

Canada Mortgage and Housing Corporation, interest at 2.11%, due December 31, 2033, repayable in monthly installments of \$5,890, secured by a Ministerial Guarantee, and an assignment of fire insurance.

997,156 1,046,367

Canada Mortgage and Housing Corporation, interest at 2.11%, due May 1, 2035, repayable in monthly installments of \$5,319, secured by a Ministerial Guarantee, and an assignment of fire insurance.

1,024,478 1,073,764\$ 4,507,584 \$ 4,936,020

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

March 31, 2018	\$ 252,674
2019	257,318
2020	262,053
2021	266,879
2022	271,796
Thereafter	<u>3,196,864</u>
	<u>\$ 4,507,584</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2017

10. TANGIBLE CAPITAL ASSETS

	Cost			Accumulated Amortization			Net Book Value	
	Opening Balance	Additions	Closing Balance	Opening Balance	Amortization	Closing Balance	Total 2 0 1 7	Total 2 0 1 6
Tangible Capital Assets								
CMHC Housing	\$ 10,091,864	\$	\$ 10,091,864	\$ 1,663,962	\$ 241,492	\$ 1,905,454	\$ 8,186,410	\$ 8,427,902
Arena	3,061,718	224,300	3,286,018	771,335	79,347	850,682	2,435,336	2,290,383
Public safety building	2,043,435		2,043,435	395,568	51,086	446,654	1,596,781	1,647,867
Equipment	988,985		988,985	723,418	69,540	792,958	196,027	265,567
Education facility	26,537,943		26,537,943	4,647,051	663,449	5,310,500	21,227,443	21,890,892
Water treatment plant	4,135,266		4,135,266	724,977	103,382	828,359	3,306,907	3,410,289
Health centre	167,052		167,052	167,052		167,052		
Bridge	562,310		562,310	543,567	18,743	562,310		18,743
Roads	6,581,395		6,581,395	4,434,679	130,313	4,564,992	2,016,403	2,146,716
Vehicles	1,792,378	64,775	1,857,153	787,828	121,455	909,283	947,870	1,004,550
Capital structures	49,745,019	819,428	50,564,447	19,403,049	1,316,720	20,719,769	29,844,678	30,341,970
Land improvements	880,381		880,381	695,073	30,885	725,958	154,423	185,308
Band housing	<u>68,954,897</u>	<u>889,500</u>	<u>69,844,397</u>	<u>37,867,454</u>	<u>2,775,986</u>	<u>40,643,440</u>	<u>29,200,957</u>	<u>31,087,443</u>
	175,542,643	1,998,003	177,540,646	72,825,013	5,602,398	78,427,411	99,113,235	102,717,630
Assets Under Construction								
Roads and Bridges	<u>2,123,000</u>	<u>-</u>	<u>2,123,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,123,000</u>	<u>2,123,000</u>
	<u>\$ 177,665,643</u>	<u>\$ 1,998,003</u>	<u>\$ 179,663,646</u>	<u>\$ 72,825,013</u>	<u>\$ 5,602,398</u>	<u>\$ 78,427,411</u>	<u>\$ 101,236,235</u>	<u>\$ 104,840,630</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2017

11. CONTINGENT LIABILITIES

The First Nation receives funding from INAC based on specified program needs and budgets and allocated certain expenditures to the various programs. In many cases, INAC has the right to review the accounting records to ensure compliance with the terms and conditions of their agreements. At this time, no estimates of the requirements, if any, to reimburse INAC can be made. For accounting purposes any amount assessed or claims paid will be accounted for in the year of determination.

The First Nation is contingently liable in the amount of \$3,900,000 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.

12. RECONCILIATION OF INDIGENOUS AND NORTHERN AFFAIRS CANADA REVENUE

	2 0 1 7	2 0 1 6
Total INAC funding reported	\$ 33,493,461	\$ 33,278,991
Plus: Revenue deferred from previous years	290,967	
Current year shortfall - Band Support	72,133	
Current year shortfall - Tuition Agreements	16,110	
2014/2015 Remediation - CSMWG Steps 7-9 deferred recognized		802,171
INAC Soil Remediation receivable not on confirmation		52,058
2014/2015 Roads and Bridges receivable not on confirmation		117,394
2015/2016 Basic Needs not on confirmation		159,750
2015/2016 Winter Roads - fuel revenues		24,632
Less: Revenue deferred to subsequent year		
Water Systems	(314,278)	(50,000)
INAC FNHIB	(172,948)	
Housing Acquisition	(130,707)	
Capacity Development	(130,000)	
Lot Servicing	(120,000)	
Outdoor Rink	(63,000)	
Funding received for prior year - Social Basic Needs	(157,247)	-
TOTAL INAC REVENUE PER FINANCIAL STATEMENTS	\$ <u>32,784,491</u>	\$ <u>34,384,996</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2017

13. OTHER INCOME - FORGIVENESS OF DEBT

The First Nation is in the process of managing an identified default of its funding agreement with Indigenous and Northern Affairs Canada. In order to manage and remedy the identified default and improve its financial situation, the First Nation has developed a comprehensive budget for the repayment of its creditors and recovery of its deficits. The budget considers, among other things, the sources and amount of revenue available to the First Nation, past, present, and future expenditures required to deliver essential services and programs to its community members and the total amount payable to all of its potential creditors which also has been pre-approved by INAC.

Offer letters were provided to the creditors being fifty percent (50%) of their claim less interest, being made as a one time payment subject to execution by the parties and upon the Creditors executing Full and Final Release in favour of Garden Hill First Nation.

14. EXPENSES BY OBJECT

The following is a summary of expenses by object:

	2 0 1 7	2 0 1 6
Administration and office	\$ 2,012,488	\$ 1,051,301
Amortization of tangible capital assets	5,602,398	5,547,166
Business development		144,805
Community buildings and capital expense	618,349	735,337
Contract fee and services	978,891	1,377,134
Debt servicing	44,965	97,688
Fuel	241,005	705,577
Insurance	231,497	228,913
Old debt repayment		1,064,276
Other expenses	12,552,083	13,794,736
Professional development	181,278	289,321
Professional fees	183,990	224,471
Rent	45,498	41,410
Repairs and maintenance	1,660,272	1,953,834
Salaries and benefits	13,129,485	12,360,850
Supplies and materials	1,787,144	1,586,694
Telephone and communications	200,922	174,572
Travel and accommodations	1,054,901	835,235
Utilities	1,533,540	1,463,364
	<u>\$ 42,058,706</u>	<u>\$ 43,676,684</u>

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

15. ECONOMIC DEPENDENCE

Garden Hill First Nation receives a major portion of its revenues pursuant to a funding arrangement with Indigenous and Northern Affairs Canada.

16. RELATED PARTY TRANSACTIONS

In the normal course of business, the First Nation enters into transactions with related parties. Related party transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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

17. 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, INAC 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, 2017, The First Nation has a cash balance of \$3,646,754 (2016 - \$3,611,727) and a net debt position of \$9,352,252 (2016 - \$14,730,474). 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 a fixed rate.

18. COMPARATIVE FIGURES

Certain prior year comparative amounts have been reclassified where necessary to conform to the presentation adopted for the current year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2017

19. BUDGETED FIGURES

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2017

20. SEGMENT DISCLOSURE

Garden Hill First Nation provides a range of services to its members. For management reporting purposes, operations and activities are reported by department. The presentation by segment is based on the same accounting policies as described in the summary of Significant Accounting Policies as described in Note 1. The segment results for the year are as follows:

	Governance and <u>2017</u>	Administration <u>2016</u>	Education <u>2017</u>	<u>2016</u>	Economic Development <u>2017</u>	<u>2016</u>	Social Services <u>2017</u>	<u>2016</u>	Public Works <u>2017</u>	<u>2016</u>
Revenues										
Federal Government INAC	\$ <u>1,899,950</u>	\$ <u>1,237,753</u>	\$ <u>14,743,416</u>	\$ <u>12,837,981</u>	\$ <u>584,088</u>	\$ <u>383,984</u>	\$ <u>10,208,765</u>	\$ <u>10,161,338</u>	\$ <u>5,348,272</u>	\$ <u>9,763,940</u>
Subtotal	1,899,950	1,237,753	14,743,416	12,837,981	584,088	383,984	10,208,765	10,161,338	5,348,272	9,763,940
Other revenue	<u>2,991,681</u>	<u>1,087,624</u>	<u>765,607</u>	<u>689,060</u>	<u>-</u>	<u>-</u>	<u>12,000</u>	<u>12,000</u>	<u>527,080</u>	<u>118,923</u>
Total revenue	<u>4,891,631</u>	<u>2,325,377</u>	<u>15,509,023</u>	<u>13,527,041</u>	<u>584,088</u>	<u>383,984</u>	<u>10,220,765</u>	<u>10,173,338</u>	<u>5,875,352</u>	<u>9,882,863</u>
Expenses										
Amortization	5,598,674	132,936		1,233,307						3,901,117
Debt servicing	44,665		300							
Other	1,251,721	2,219,942	5,806,191	4,923,321	373,821	240,850	9,664,809	9,540,895	2,890,706	6,787,496
Salaries and benefits	<u>736,130</u>	<u>519,327</u>	<u>8,027,866</u>	<u>7,397,609</u>	<u>184,278</u>	<u>49,537</u>	<u>485,562</u>	<u>411,056</u>	<u>795,410</u>	<u>1,053,051</u>
Total expenses	<u>7,631,190</u>	<u>2,872,205</u>	<u>13,834,357</u>	<u>13,554,237</u>	<u>558,099</u>	<u>290,387</u>	<u>10,150,371</u>	<u>9,951,951</u>	<u>3,686,116</u>	<u>11,741,664</u>
Surplus (Deficit)	<u>\$(2,739,559)</u>	<u>\$(546,828)</u>	<u>\$ 1,674,666</u>	<u>\$(27,196)</u>	<u>\$ 25,989</u>	<u>\$ 93,597</u>	<u>\$ 70,394</u>	<u>\$ 221,387</u>	<u>\$ 2,189,236</u>	<u>\$(1,858,801)</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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20. SEGMENT DISCLOSURE (continued)

	Housing		Health		Daycare		TOTAL	
	2017	2016	2017	2016	2017	2016	2017	2016
Revenues								
Federal Government								
INAC	\$	\$	\$	\$	\$	\$	\$ 32,784,491	\$ 34,384,996
FNIH			4,574,195	4,198,678			4,574,195	4,198,678
CMHC	1,280,623	330,316					1,280,623	330,316
Service Canada					462,256	463,043	462,256	463,043
Other	-	-	-	60,228	-	-	-	60,228
Subtotal	1,280,623	330,316	4,574,195	4,258,906	462,256	463,043	39,101,565	39,437,261
Other revenue	-	133,003	-	-	18,466	-	4,314,834	2,040,610
Total revenue	1,280,623	463,319	4,574,195	4,258,906	480,722	463,043	43,416,399	41,477,871
Expenses								
Amortization		273,322	3,724	6,484			5,602,398	5,547,166
Debt servicing		97,688					44,965	97,688
Other	1,099,880	178,825	2,072,138	1,655,666	122,592	123,985	23,281,858	25,670,980
Salaries and benefits		48,266	2,558,529	2,555,517	341,710	326,487	13,129,485	12,360,850
Total expenses	1,099,880	598,101	4,634,391	4,217,667	464,302	450,472	42,058,706	43,676,684
Surplus (Deficit)	\$ 180,743	\$ (134,782)	\$ (60,196)	\$ 41,239	\$ 16,420	\$ 12,571	\$ 1,357,693	\$ (2,198,813)