

Consolidated financial statements of

KEBAOWEK FIRST NATION - KIPAWA

March 31, 2017

KEBAOWEK FIRST NATION - KIPAWA

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KEBAOWEK FIRST NATION - KIPAWA
Management's Statement of Responsibility
Year ended March 31, 2017

The consolidated financial statements of Kebaowek First Nation - Kipawa as at March 31, 2017 are the responsibility of management and have been approved by the Chief and Council.

These consolidated financial statements have been prepared in conformity with Canadian public sector accounting standards as defined by the CPA Canada Public Sector Accounting Handbook and, where appropriate, include amounts that are based on management's best estimates and judgements. Management has established internal control systems to ensure that the financial information is objective and reliable and that Band assets are safeguarded.

The consolidated financial statements have been audited by the independent auditors Deloitte LLP whose report outlines the scope of their audit and their opinion on the consolidated financial statements.

The Chief and Council carries out its responsibility for the consolidated financial statements through the Office of Chief and Council, which is comprised of a quorum of councillors. The Chief and Council meets with the auditors to review the consolidated financial statements and Independent Auditor's Report.

The financial statements have been audited by Deloitte LLP in accordance with Canadian generally accepted auditing standards. Deloitte LLP has full and free access to Council.

Signature and title
for Kebaowek First Nation - Kipawa

Independent Auditors' Report on the Special Purpose Financial Statements

To the Chief and Council

KEBAOWEK FIRST NATION - KIPAWA

We have audited the accompanying consolidated financial statements of the Kebaowek First Nation - Kipawa as at March 31, 2017, which comprise the consolidated statement of Financial Position as at March 31, 2017, and the consolidated statements of Operations, Cumulative Operating Surplus, Net Investment in Capital Assets, Changes in Net Financial Asset (Net Debt) and Cash Flows, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 Kebaowek First Nation - Kipawa as at March 31, 2017 and the results of its operations, cumulative operations surplus, net investment in capital assets, changes in net financial assets (net debt) and its Cash Flows for the year then ended in accordance with Canadian public sector accounting standards.

Observation

We draw your attention to the fact that no budget figures are presented, eventhough it is a requirement of the Canadian public sector accounting standards.

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Deloitte LLP

July 21, 2017

¹CPA auditor, CA, public accountancy permit No A112314

KEBAOWEK FIRST NATION - KIPAWA

Consolidated Statement of Operations

Year ended March 31, 2017

	2017	2016
	\$	\$
REVENUES		
Sales	1 961 761	2 101 026
Taxi services	-	43 635
INAC - Unexpended Funding	(284 047)	322 352
INAC - Fixed Contribution	43 972	42 342
INAC - Set Contribution	7 057 876	2 935 214
INAC- Block Contribution	2 826 493	2 757 857
Allocation from the replacement reserve	-	5 000
Administration fees	439 232	301 254
Recreation	31 169	16 284
Canada Mortgage and Housing Corporation (CMHC)	510 581	131 028
Environment Canada	9 000	-
First Nations Education Council	126 086	85 242
First Nations of Quebec and Labrador Health and Social Services Commission	49 626	38 847
Centre jeunesse de l'Abitibi-Témiscamingue	152 502	131 223
Forestry contracts	286 667	240 570
Government of Quebec	73 410	4 408
First Nations Human Resources Development Commission of Quebec	321 734	275 940
Interests	3 576	3 129
Land Management	285 000	285 000
Loan revenues	239 264	79 713
Ministère des Forêts, de la Faune et des Parcs	161 000	106 000
Health Canada	1 482 869	1 401 957
Refundable surplus to INAC	(13 445)	(7 541)
Refundable surplus to Health Canada	(5 962)	-
Refundable surplus to FNEC	-	(817)
Provincial and Federal police	319 444	316 375
Other recreation revenues	1 000	1 002
Rent revenues	250 536	260 529
Special activities revenues	100 110	50 826
Sale of housing units	111 000	155 000
Other revenues	328 726	475 205
Transfer to Net Investment in Capital Assets	(2 550 882)	(3 627 916)
Deferred revenue from the previous year	645 583	738 900
Deferred revenue to the following year	(5 490 049)	(645 583)
	9 473 832	9 024 001

KEBAOWEK FIRST NATION - KIPAWA

Consolidated Statement of Operations

Year ended March 31, 2017

	<u>2017</u>	<u>2016</u>
	\$	\$
EXPENSES		
Band Government	17 548	17 703
Administration	770 468	727 422
Human Resources Development	248 263	194 842
Education	994 967	943 909
Health	1 744 517	1 610 293
Public Works	604 729	574 255
Public Security	395 053	413 249
Social Assistance	293 805	298 119
Housing	1 314 324	977 951
Economic Development	2 803 037	2 817 607
Natural Resources and Others	675 631	591 741
	<u>9 862 342</u>	<u>9 167 091</u>
DEFICIT FOR THE YEAR FOR INAC PURPOSE	(388 510)	(143 090)

The accompanying notes are an integral part of the consolidated financial statements

CONCILIATION TO CANADIAN PUBLIC ACCOUNTING STANDARDS

Deficit for the year for INAC purpose	(388 510)	(143 090)
Proceeds from long-term debt	(616 300)	(652 393)
Reimbursement of long-term debt	195 760	146 598
Acquisition of capital assets	2 550 882	3 627 916
	<u>1 741 832</u>	<u>2 979 031</u>
Surplus under Canadian Public accounting standards	1 741 832	2 979 031

KEBAOWEK FIRST NATION - KIPAWA
Consolidated Statement of Cumulative Operating Surplus
Year ended March 31, 2017

	<u>2017</u>	<u>2016</u>
	\$	\$
BALANCE AT BEGINNING OF YEAR	2 992 301	3 140 696
DEFICIT FOR THE YEAR FOR INAC PURPOSE	(388 510)	(143 090)
ALLOCATION FROM THE ECONOMIC INVESTMENT SURPLUS	161 902	(773 070)
TRANSFER TO NET INVESTMENT IN CAPITAL ASSETS - AMORTIZATION/ LOSS AND PROCEEDS FROM DISPOSAL OF CAPITAL ASSETS	761 475	742 824
ADJUSTMENT TO ARTICLE 95 RESERVE AND ECONOMIC DEVELOPMENT FUND	(16 715)	24 941
BALANCE AT END OF YEAR	3 510 453	2 992 301

The accompanying notes are an integral part of the consolidated financial statements

KEBAOWEK FIRST NATION - KIPAWA
Consolidated Statement of Net Investment in Capital Assets
Year ended March 31, 2017

	<u>2017</u>	<u>2016</u>
	\$	\$
NET INVESTMENT IN CAPITAL ASSETS AT BEGINNING OF YEAR	16 863 022	14 483 725
ACQUISITION OF CAPITAL ASSETS	2 550 882	3 627 916
LOSS FROM DISPOSAL OF CAPITAL ASSETS	-	(461)
REIMBURSEMENT OF LONG-TERM DEBT	176 558	130 065
REIMBURSEMENT OF RRAP	19 202	16 533
PROCEEDS FROM LONG-TERM DEBT	(616 300)	(652 393)
AMORTIZATION OF CAPITAL ASSETS	(761 475)	(742 363)
NET INVESTMENT IN CAPITAL ASSETS AT END OF YEAR	18 231 889	16 863 022

The accompanying notes are an integral part of the consolidated financial statements

KEBAOWEK FIRST NATION - KIPAWA

Consolidated Financial Position

as at March 31, 2017

	2017	2016
	\$	\$
FINANCIAL ASSETS		
Cash	2 843 285	2 372 484
Term deposit, prime rate less 2 %	-	16 452
Accounts receivable (Note 3)	7 359 320	2 202 119
Long-term investments (Note 4)	63 214	81 619
Restricted cash and deposits (Note 5)	318 874	278 854
	10 584 693	4 951 528
LIABILITIES		
Accounts payable and accrued liabilities	1 578 769	1 463 991
Deferred revenue (note 7)	5 490 049	645 583
Due to Health Canada	-	19 571
Deferred governmental assistance	397 866	418 806
INAC - Unexpended Funding	667 888	383 841
Long-term debt (Note 8)	2 486 528	2 065 988
	10 621 100	4 997 780
NET DEBT	(36 407)	(46 252)
NON-FINANCIAL ASSETS		
Capital assets (Note 6)	20 704 256	18 914 849
Inventories	96 161	93 472
Prepaid expenses	51 542	52 050
	20 851 959	19 060 371
ACCUMULATED SURPLUS (Note 11)	20 815 552	19 014 119

The accompanying notes are an integral part of the consolidated financial statements

APPROVED BY CHIEF AND COUNCIL

KEBAOWEK FIRST NATION - KIPAWA

Consolidated Statement of Changes in Net Financial Asset (Net Debt)

Year ended March 31, 2017

	<u>2017</u>	<u>2016</u>
	\$	\$
DEFICIT FOR THE YEAR FOR INAC PURPOSE	(388 510)	(143 090)
CHANGES IN CAPITAL ASSETS		
Acquisition of capital assets	(2 550 882)	(3 627 916)
Amortization of capital assets	761 475	742 363
Loss on other assets write-off and investment divestiture	-	756 083
Debt forgiveness	-	(734 706)
Loss on disposal from capital assets	-	461
	(1 789 407)	(2 863 715)
CHANGES IN OTHER NON-FINANCIAL ASSETS		
Changes in the inventories	(2 690)	(18 607)
Changes in the prepaid expenses	508	34 841
	(2 182)	16 234
CHANGES IN THE NON-OPERATIONAL SURPLUSES AND RESERVES		
Adjustment to prior years	(16 715)	24 941
Changes in reserves	76 307	25 586
Increase of In-trust surplus	10	11
Net financing by capital assets surplus	2 130 342	3 122 121
	2 189 944	3 172 659
CHANGES IN NET FINANCIAL ASSETS	9 845	182 088
NET DEBT AT BEGINNING OF YEAR	(46 252)	(228 340)
NET FINANCIAL ASSET (NET DEBT) AT END OF YEAR	(36 407)	(46 252)

The accompanying notes are an integral part of the consolidated financial statements

KEBAOWEK FIRST NATION - KIPAWA

Consolidated Statement of Cash Flows

Year ended March 31, 2017

	2017	2016
	\$	\$
OPERATING ACTIVITIES		
Deficit for the year for INAC purpose	(388 510)	(143 090)
Item not affecting cash:		
Loss on other assets write-off and investment divestiture	-	756 083
Debt forgiveness	-	(734 706)
Loss on disposal of capital assets	-	461
Amortization of capital assets	761 475	742 363
Amortization of deferred governmental assistance	(20 940)	(22 042)
	352 025	599 069
Changes in non-cash operating working capital items (Note 12)	64 337	379 800
	416 362	978 869
INVESTING ACTIVITIES		
Acquisition of capital assets	(2 550 882)	(3 627 916)
Increase of the restricted cash and deposits	(23 568)	(6 736)
Changes in long-term investments	18 405	14 444
	(2 556 045)	(3 620 208)
FINANCING ACTIVITIES		
Net financing by capital assets surplus	2 130 342	3 122 121
Adjustment to prior years	(16 715)	24 941
Increase of In-trust surplus	10	11
Changes in reserves	76 307	25 586
Proceeds from long-term debt	616 300	652 393
Reimbursement of long-term debt	(195 760)	(146 598)
	2 610 484	3 678 454
NET INCREASE IN CASH AND CASH EQUIVALENTS	470 801	1 037 115
CASH AND CASH EQUIVALENTS , BEGINNING OF YEAR	2 372 484	1 335 369
CASH AND CASH EQUIVALENTS, END OF YEAR	2 843 285	2 372 484

The accompanying notes are an integral part of the consolidated financial statements

Cash and cash equivalents consist of cash.

Additional information (Note 12)

KEBAOWEK FIRST NATION - KIPAWA

Notes to the consolidated financial statements

Year ended March 31, 2017

1. DESCRIPTION OF THE ORGANIZATION

The First Nation is an unincorporated legal body as defined in the Indian Act. A band council is considered a form of local government consisting of a Chief and two or more councillors who are chosen by election or band custom to carry out the functions of government for the First Nation. During the course of the year, the name of the First Nation was modified from Eagle Village First Nation to Kebaowek First Nation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards applicable to local governments and issued by the CPA Canada Public Sector Accounting Handbook.

The principles of fund accounting have been used in the preparation of these consolidated financial statements in accordance with Canadian public sector accounting standards. Accounts are classified into funds in accordance with specified requirements, activities and objectives. The accrual method is followed for the recognition of revenues and expenses.

The First Nation includes certain financial information that are not required by the Canadian public sector accounting standards. This information is presented in order to satisfy to Indigenous and Northern Affairs Canada (INAC).

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis. Net realizable value is the estimated selling price less the estimated costs necessary to make the sale.

Capital assets

The capital assets are composed of all capital assets recorded at cost. The methods, the term and amortization rates are as follows:

Community buildings	2.5%	diminishing balance
Private housing	25 years	straight line
Water and sanitation systems	2.5%	diminishing balance
Roadway system	2.5%	diminishing balance
Motorized equipment	10% to 20%	diminishing balance
Office and other equipment	20%	diminishing balance
Building - Migizy Odenaw inc.	5%	diminishing balance
Equipment - Migizy Odenaw inc.	10%	diminishing balance
Restaurant equipment - Migizy Odenaw inc.	20%	diminishing balance

KEBAOWEK FIRST NATION - KIPAWA
Notes to the consolidated financial statements
Year ended March 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues recognition

Revenues are recorded in the period specified in funding agreements entered into with government agencies and other organizations. Assistance received in advance of making the related expenses is deferred. Revenues are recognized when persuasive evidence of an arrangement exists, price is fixed or determinable and collection is reasonably assured.

Reimbursements of capital and interests

The reimbursements of capital and interests on the long-term debt are treated as expenses in the housing operations projects where as the rent charged by the First Nation to the tenants and the grant coming from CMHC are treated as revenues in that same project.

Use of estimates

The preparation of consolidated 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 disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Key components of the consolidated financial statements requiring management to make estimates include the provision for doubtful accounts in respect of receivables and long-term investments, the useful lives of long-lived assets, the deferred revenues and liabilities under legal contingencies. Actual results could differ from these estimates.

Principle of consolidation

The consolidated financial statements include the accounts of the First Nation and the organizations under its control. These organizations include Migizy Odenaw inc. and Kebaowek inc. Transactions concluded between these organizations and reciprocal balances are eliminated. The reciprocal balances have not been eliminated the segment disclosure (Note 19).

Investments in controlled entities

Kebaowek inc. and Migizy Odenaw inc. are wholly-owned by Kebaowek First Nation - Kipawa. As at March 31, 2017, the financial information available for the operations of Migizy Odenaw inc. were taken from their respective year-end, September 30, 2016 and from March 31, 2017 year-end for Kebaowek inc. These investments in controlled entities are recorded on the modified equity basis of accounting unless the controlled entities become entirely dependant from a financing point of view from Kebaowek First Nation - Kipawa. When a controlled entity becomes dependant from a financing point of view, it is consolidated into the financial statements of the First Nation.

KEBAOWEK FIRST NATION - KIPAWA
Notes to the consolidated financial statements
Year ended March 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-term investments

Long-term investments are recorded at cost.

Revenues and expenses related to the acquisition of capital assets

Revenues and expenses related to the acquisition of capital assets are primarily recorded in the Statement of Operations and then reclassified in the Net Investment in Capital Assets when the related capital expenses are recorded, provided that the First Nation meets the eligibility criteria.

Pension plan

The cost of the defined pension plan is equal to the pension plan expense.

The pension plan is a multiemployer defined benefit pension plan that is accounted for as a defined contribution plan.

Loans

Loans with significant concessionary terms are presented at face value discounted by the amount of the grant portion.

Proceeds from the disposal of capital assets and the related revenues

Proceeds from the disposal of capital assets and from assets held for sale are recorded in the Net Investment in Capital Assets.

KEBAOWEK FIRST NATION - KIPAWA
Notes to the consolidated financial statements
Year ended March 31, 2017

3. ACCOUNTS RECEIVABLE

	<u>2017</u>	<u>2016</u>
	\$	\$
INAC receivable	5 936 053	1 531 254
Health Canada receivable	12 242	-
HRD receivable	3 949	14 836
FNEC receivable	28 639	31 010
FNQLHSS receivable	27 462	17 385
Loans receivable	306 262	7 358
GST, QST and tobacco tax receivable	43 942	36 281
Police funding receivable	-	41 164
Forestry contracts receivable	41 221	55 629
Government of Quebec receivable	49 666	5 425
Land management receivable	156 000	111 500
Other administration accounts receivable	40 664	39 845
Rent receivable	189 125	160 233
Accounts receivable (housing)	231 454	131 477
Water and garbage receivable	23 656	20 119
Other accounts receivable	308 405	50 067
Expenses to be reimbursed (housing)	56 318	62 820
RRAP loan and other receivables	28 037	9 491
	<u>7 483 095</u>	<u>2 325 894</u>
Allowance for doubtful accounts	<u>(123 775)</u>	<u>(123 775)</u>
	<u>7 359 320</u>	<u>2 202 119</u>

KEBAOWEK FIRST NATION - KIPAWA
Notes to the consolidated financial statements
Year ended March 31, 2017

4. LONG-TERM INVESTMENTS

	<u>2017</u>	<u>2016</u>
	\$	\$
Loan to receive from an individual, no interests	-	17 405
Loan to a promoter, no interests	10 000	10 000
Loan to a promoter, no interests	24 714	25 714
Loan to a promoter, no interests	8 500	8 500
Loan to a promoter, no interests	10 000	10 000
Loan to a promoter, no interests	10 000	10 000
	63 214	81 619

5. RESTRICTED CASH AND DEPOSITS

	<u>2017</u>	<u>2016</u>
	\$	\$
In-trust surplus	552	542
Replacement reserve (Note 13)	318 322	278 312
	318 874	278 854

6. CAPITAL ASSETS

	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net Book Value</u>	
	\$	\$	<u>2017</u>	<u>2016</u>
	\$	\$	\$	\$
Assets under construction	5 093 756	-	5 093 756	2 844 713
Community buildings	2 979 202	1 147 477	1 831 725	1 878 737
Private housing	9 737 530	4 900 236	4 837 294	4 992 204
Water and sanitation systems	7 444 804	1 067 402	6 377 402	6 540 925
Roadway system	1 377 740	420 167	957 573	982 172
Motorized equipment	1 802 228	989 976	812 252	883 288
Building Migizy Odenaw inc.	662 331	299 725	362 606	381 691
Equipment Migizy Odenaw inc.	464 849	300 609	164 240	137 546
Restaurant equipment Migizy Odenaw inc.	52 471	31 619	20 852	3 387
Office and other equipment	1 066 110	819 554	246 556	270 186
	30 681 021	9 976 765	20 704 256	18 914 849

KEBAOWEK FIRST NATION - KIPAWA
Notes to the consolidated financial statements
Year ended March 31, 2017

7. DEFERRED REVENUE

	<u>2017</u>	<u>2016</u>
	\$	\$
Matamec (Annex 117)	33 908	38 754
Research advocacy (Annex 118)	20 000	-
Wastewater Treatment System (AQB03) (Annex 79)	5 195 609	463 431
Lot development (Annex 76)	165 744	-
Community Health Representative (Annex 29)	4 531	-
Aids / HIV (Annex 42)	5 264	-
Maternal and Child Health (Annex 59)	14 973	16 890
Mental Wellness Team (Annex 33)	6 682	-
Community Food Security (Annex 30)	-	12 299
Forum Jeunesse - First Line Services (Annex 68)	-	19 038
Aboriginal Health Transition Fund (Annex 34)	10 000	-
Ministère des Forêts, de la Faune et des Parcs (Annex 140)	4 520	-
Estate Planning (Annex 54)	-	37 032
Land Management (Forestry) (Annex 133)	-	37 393
United Church (Annex 123)	-	5 746
Avenir d'enfants (Annex 64)	-	15 000
Kebaowek Land Management inc. (Annex 122)	28 818	-
	5 490 049	645 583

KEBAOWEK FIRST NATION - KIPAWA
Notes to the consolidated financial statements
Year ended March 31, 2017

8. LONG-TERM DEBT

	<u>2017</u>	<u>2016</u>
	\$	\$
Loan, 1,48 %, secured by INAC, payable by monthly instalments of \$875, capital and interests, maturing in 2037	180 534	188 332
Loan, 1,48 %, secured by INAC, payable by monthly instalments of \$1,589, capital and interests, maturing in 2033	269 122	284 140
Loan, 3,19 %, secured by INAC, payable by monthly instalments of \$156, capital and interests, maturing in 2019	3 910	5 626
Loan, 3,53 %, secured by INAC, payable by monthly instalments of \$395, capital and interests, maturing in 2019	30 262	33 860
Loan, 3,53 %, secured by INAC, payable by monthly instalments of \$320, capital and interests, maturing in 2019	24 545	27 463
Loan, 2,85 %, secured by INAC, payable by monthly instalments of \$139, capital and interests, maturing in 2021	31 298	37 861
Loan, 6,24 %, secured by a motorized equipment, payable by monthly instalments of \$583 capital and interest, maturing in 2021	21 022	26 524
Loan, 3,38 %, secured by INAC, payable by weekly instalments of \$118, capital and interests, maturing in 2019	62 917	66 865
Loan in progress, terms to be negotiated in the next fiscal year	150 000	-
Loan, 1,71 %, secured by INAC, payable by monthly instalments of \$1,246, capital and interests, maturing in 2032	202 592	213 996
Loan, 3,5 %, secured by INAC, payable by monthly instalments of \$419, capital and interests, maturing in 2017	1 252	6 147
Loan reimbursed	-	33 018
Loan, 1,19%, secured by INAC, payable by monthly instalments of \$573, capital and interests, maturing in 2035	115 012	120 487
Loan, 1,52 % secured by INAC, payable by monthly instalments of \$532 , capital and interests, maturing in 2033	91 209	96 168
Loan, 4,30 %, secured by INAC, payable by monthly instalments of \$1,500, capital and interests, maturing in 2027	138 477	151 007

KEBAOWEK FIRST NATION - KIPAWA
Notes to the consolidated financial statements
Year ended March 31, 2017

Loan, 1,67 % secured by INAC, payable by monthly instalments of \$725, capital and interests, maturing in 2031	95 140	101 012
Loan, 3,22%, secured by INAC, payable by monthly instalments of \$1,134, capital and interest, maturing in 2020	229 910	235 964
Loan, 3,22%, secured by INAC, payable by monthly instalments of \$428, capital and interest, maturing in 2020	86 716	89 000
Loan in progress, terms to be negotiated in the next fiscal year	100 000	-
Loan, 1,3 %, secured by INAC, payable by monthly instalments of \$560, capital and interest, maturing in 2035	111 705	128 343
Loan, 1,82 %, secured by INAC, payable by monthly instalments of \$784, capital and interests, maturing in 2019	19 966	28 919
Promissory note, terms to be negotiated in the next fiscal year	271 600	-
Loan, 1,82 %, secured by INAC, payable by monthly instalments of \$246, capital and interests, maturing in 2029	32 380	34 721
Loan from Canada Mortgage and Housing Corporation (RRAP) *	122 700	47 201
Loan, 1,82%, secured by INAC, payable by monthly instalments of \$546, capital and interests, maturing in 2026	55 767	61 258
Loan, 3,42 %, secured by INAC, payable by monthly instalments of \$168, capital and interests, maturing in 2022	24 784	26 043
Loan, 3,01 % secured by INAC, payable by monthly instalments of \$740, capital and interests, maturing in 2018	13 708	22 033
	2 486 528	2 065 988
Current portion	(158 351)	(159 266)
	2 328 177	1 906 722

KEBAOWEK FIRST NATION - KIPAWA
Notes to the consolidated financial statements
Year ended March 31, 2017

8. LONG-TERM DEBT

Capital payments due within each of the next five years are as follows:

	\$
2018	158 351
2019	151 193
2020	130 788
2021	124 153
2022	110 319

*Under this program, an agreement has been reached by the Kebaowek First Nation - Kipawa and the Canada Mortgage and Housing Corporation (CMCH) concerning the cumulative contributions for the major repairs of houses located on the First Nation's territory.

Should all the conditions of the agreement be met by the First Nation, the amortization of these loans will be made by remission instalments based on a straight-line method of amortization of three to five years. Should the conditions not be respected by the First Nation, the outstanding balance of these loans will be repaid by the First Nation as an usual mortgage (subject of interests charges).

9. RESERVES FOR ACQUISITION OF CAPITAL ASSETS

The First Nation has reserved funds for the future acquisition of capital assets in accordance with funding agreements. Here is the detail of these reserves as at March 31, 2017 :

	2017	2016
	\$	\$
School bus	44 082	34 082
Public Works equipment	50 000	50 000
Single apartment building	47 551	41 551
Band rental	13 625	9 125
Police department	210 322	210 322
Fire truck	205 000	205 000
	570 580	550 080

10. FUNDS BALANCES

The funds balances as at March 31, 2017 do not take into consideration possible modifications following the review and analysis of the present consolidated financial statements by INAC, the CMCH and Health Canada. Any adjustment resulting of these analysis will be recorded in the current year as an adjustment of funds balances as indicated by INAC, CMCH or Health Canada.

KEBAOWEK FIRST NATION - KIPAWA
Notes to the consolidated financial statements
Year ended March 31, 2017

11. ACCUMULATED SURPLUS

The accumulated surplus of Kebaowek First Nation - Kipawa is divided among several surpluses and reserves, as detailed below:

	<u>2017</u>	<u>2016</u>
	\$	\$
Reserves for acquisition of capital assets (Note 9)	570 580	550 080
Economic investment deficit	(1 924 950)	(1 763 047)
In-trust surplus	552	542
Operating reserve fund	108 706	92 909
Replacement reserve (Note 13)	318 322	278 312
Capital assets surplus	18 231 889	16 863 022
Cumulative operating surplus	3 510 453	2 992 301
	<u>20 815 552</u>	<u>19 014 119</u>

12. ADDITIONAL INFORMATION RELATING TO THE STATEMENT OF CASH FLOWS

Changes in non-cash operating working capital items

	<u>2017</u>	<u>2016</u>
	\$	\$
INAC - Unexpended Funding	284 047	(322 352)
Accounts receivable	(5 157 201)	(87 932)
Inventories	(2 690)	(18 607)
Prepaid expenses	508	34 841
Accounts payable and accrued liabilities	114 778	867 167
Deferred revenue (note 7)	4 844 466	(93 317)
Due to Health Canada	(19 571)	-
	<u>64 337</u>	<u>379 800</u>

13. REPLACEMENT RESERVE

Under the terms of the agreement with CMCH, the replacement reserve account is to be credited annually. These funds along with accumulated interests must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMCH from time to time. The funds in the account may only be used as approved by CMCH. Withdrawals are credited to interests first and then capital.

KEBAOWEK FIRST NATION - KIPAWA
Notes to the consolidated financial statements
Year ended March 31, 2017

14. SUBSIDY SURPLUS RESERVE

Under the terms of the agreement with CMCH, excess federal assistance payments received may be retained in a subsidy surplus reserve up to a maximum of \$500 per unit plus interests. The reserve is to be comprised of monies deposited in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMCH from time to time. The funds in this account may only be used to meet future subsidy requirements of income-tested occupants over and above the maximum federal assistance. Withdrawals are credited to interests first and then capital. When the funds have reached the maximum of \$500 per unit, up to 10 % of the excess assistance during a year may be transferred to other projects owned by the borrower requiring additional assistance if they are within the same municipality or area and are assisted under the same program.

15. FINANCIAL INSTRUMENTS

Credit facility (bank loan):

An authorized line of credit of \$300,000 and another line of credit of \$35,000, bearing interests at prime rate (2,7 % as at March 31, 2017) plus 2,25 % and prime rate plus 2,5 %, are available. The loans are repayable on demand and fluctuate regularly. No amount was used as at March 31, 2017.

Fair value of financial assets and liabilities:

The fair value of cash, accounts receivable, accounts payable and accrued liabilities and due to Health Canada is approximately equal to their carrying value due to their short-term maturity date.

The fair value of the long-term debt elements is approximately equal to their carrying value due to the small difference between interests rates paid by the First Nation and interests rates offered on the market for loans having similar terms and conditions.

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16. PENSION PLAN

The First Nation supports a contributory defined benefit pension plan for substantially all of its employees (except for the police department which is described below). It is a multiemployer plan that is administered by the Native Benefits Plan. The pension for native employees is 8,5 % of the gross salary and the employer contributes 1,82 times the employee's contribution. For the non-native employees, it is 6,8 % of the gross salary and the employer contributes 1,82 times the employee's contribution.

For the police department, the rate is 9,5 % of the gross salary for the native employees and 7,2 % for the non-native employees. The employer contributes 2 times the employee's contribution.

The First Nation also offers a voluntary pension plan for employees not covered by INAC, Health Canada and police activities. The contribution by the employees is 5 % and the First Nation contributes the same amount.

For the current fiscal year, the pension plan expenses amounted to \$193,566 (\$181,167 in 2016).

17. RECONCILIATION OF FUNDS FROM INAC

	<u>2017</u>	<u>2016</u>
	\$	\$
Block Contribution	2 826 493	2 757 857
Set Contribution	7 057 876	2 935 214
Fixed Contribution	43 972	42 342
Refundable surplus to INAC	(13 445)	(7 541)
Equal revenues confirmed from INAC:	9 914 896	5 727 872

All transfers between projects are identified in each statement of Revenues and Expenses by project as are all deferred revenue from previous year and to following year. The note 7 details all deferred revenue to following year.

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18. EXPENSES BY OBJECT

	<u>2017</u>	<u>2016</u>
	\$	\$
Cost of goods sold	1 723 829	1 725 712
Advertizing	2 563	5 223
Loss on other assets write-off and investment divestiture	-	756 083
Salaries and fringe benefits	2 800 172	2 664 625
Administration expenses	-	4 623
Allocations	359 533	334 025
Allocation for future acquisition of capital assets	20 500	20 500
Administration fees	350 598	296 631
Bank charges	3 939	6 847
Councillors' honoraries	30 000	25 500
Contracts	522 026	82 966
Amortization of deferred governmental assistance	(20 940)	(22 042)
Amortization of capital assets	761 475	742 362
Debt forgiveness	-	(734 706)
Doubtful accounts	10 747	981
Management expenses	85 417	132 704
Energy	129 113	131 416
Membership fees	11 796	12 437
Gas	52 671	49 369
Insurances	88 231	89 748
Interests and bank charges	15 134	16 039
Interests on long-term debt	36 622	37 528
Licences and permits	36 088	32 955
Maintenance expenses	133 722	40 512
Material and supplies	420 198	326 508
Other	29 693	10 215
Payments to members for housing units	111 000	155 000
Pension plan	188 935	181 166
Purchase of equipment	4 403	1 800
Professional fees	488 256	588 480
Recreation activities expenses	3 901	5 554
Registration fees	41 986	36 580
Reimbursement of capital on long-term debt	150 108	131 055
Rental of equipment	81 156	66 214
Room and board	189 562	237 925
Telephone	76 302	81 658

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18. EXPENSES BY OBJECT (continued)

	<u>2017</u>	<u>2016</u>
	\$	\$
Training expenses (reimbursements)	15 960	47 193
Transfer to Migizy Odenaw Childcare Center	24 626	33 847
Transfer to the replacement reserve	37 350	36 304
Transportation expenses	141 962	152 490
Travel	132 600	109 226
Travel and transportation expenses (reimbursement)	-	(1 790)
Tuition fees	447 870	411 131
Water, garbage and sewer expenses	9 720	9 630
Workshops expenses	113 518	94 867
	9 862 342	9 167 091

19. SEGMENT DISCLOSURE

	<u>Band Government</u>		<u>Administration</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues:				
Federal government transfers	17 548	17 826	420 760	410 521
Other revenues	-	-	191 411	404 020
Transfer - Capital Assets	-	-	-	(130 694)
Total revenues	17 548	17 826	612 171	683 847
Expenses:				
Salaries and fringe benefits	10 384	13 487	342 916	332 441
Amortization	-	-	37 653	35 233
Other expenses	7 164	4 216	389 899	490 496
Transfer - Capital Assets	-	-	-	(130 694)
Total expenses	17 548	17 703	770 468	727 476
Annual surplus (deficit)	-	123	(158 297)	(43 629)

KEBAOWEK FIRST NATION - KIPAWA
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19. SEGMENT DISCLOSURE (continued)

	Human Resources Development		Education	
	2017	2016	2017	2016
Revenues:				
Federal government transfers	-	-	1 087 522	1 090 662
Provincial government transfers	262 662	195 404	137 975	79 725
Other revenues	-	-	-	-
Total revenues	262 662	195 404	1 225 497	1 170 387
Expenses:				
Salaries and fringe benefits	49 319	33 189	139 040	149 563
Amortization	-	-	9 118	8 344
Other expenses	213 343	161 653	847 850	786 349
Total expenses	262 662	194 842	996 008	944 256
Annual surplus (deficit)	-	562	229 489	226 131

	Health		Public Works	
	2017	2016	2017	2016
Revenues:				
Federal government transfers	1 501 579	1 467 220	2 649 614	3 413 100
Provincial government transfers	262 038	174 478	-	-
Other revenues	99 982	38 792	(44 152)	236 128
Transfer - Capital Assets	(35 969)	(35 178)	(2 044 133)	(3 065 010)
Total revenues	1 827 630	1 645 312	561 329	584 218
Expenses:				
Salaries and fringe benefits	911 360	843 158	312 954	420 538
Amortization	45 239	42 081	244 783	232 480
Other expenses	831 935	765 047	2 338 031	3 265 856
Transfer - Capital Assets	(35 969)	(35 178)	(2 044 133)	(3 065 010)
Total expenses	1 752 565	1 615 108	851 635	853 864
Annual surplus (deficit)	75 065	30 204	(290 306)	(269 646)

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Notes to the consolidated financial statements
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19. SEGMENT DISCLOSURE (continued)

	Public Security		Social Assistance	
	2017	2016	2017	2016
Revenues:				
Federal government transfers	243 367	239 876	625 172	609 990
Provincial government transfers	155 351	151 860	-	-
Other revenues	1 252	16 312	1 484	(426)
Transfer - Capital Assets	(36 402)	(14 848)	-	-
Total revenues	363 568	393 200	626 656	609 564
Expenses:				
Salaries and fringe benefits	213 324	216 662	26 046	25 510
Amortization	36 678	31 796	-	-
Other expenses	186 463	183 721	267 759	272 609
Transfer - Capital Assets	(36 402)	(14 848)	-	-
Total expenses	400 063	417 331	293 805	298 119
Annual surplus (deficit)	(36 495)	(24 131)	332 851	311 445

	Housing		Economic Development	
	2017	2016	2017	2016
Revenues:				
Federal government transfers	539 938	159 673	101 794	99 322
Other revenues	822 304	822 024	2 550 669	2 772 478
Transfer - Capital Assets	(371 643)	(320 260)	(62 735)	(37 935)
Total revenues	990 599	661 437	2 589 728	2 833 865
Expenses:				
Salaries and fringe benefits	463 068	194 117	524 201	538 893
Debt servicing	144 606	127 573	5 502	3 482
Amortization	321 642	324 572	48 791	49 766
Other expenses	758 452	652 871	2 289 319	2 263 401
Transfer - Capital Assets	(371 643)	(320 260)	(62 735)	(37 935)
Total expenses	1 316 125	978 873	2 805 078	2 817 607
Annual surplus (deficit)	(325 526)	(317 436)	(215 350)	16 258

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Notes to the consolidated financial statements
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19. SEGMENT DISCLOSURE (continued)

	Others		Natural Resources	
	2017	2016	2017	2016
Revenues:				
Federal government transfers	-	-	21 750	-
Provincial government transfers	-	-	161 000	106 000
Other revenues	175 284	118 540	330 497	334 448
Transfer - Capital Assets	-	-	-	(23 991)
Total revenues	175 284	118 540	513 247	416 457
Expenses:				
Salaries and fringe benefits	24 300	36 145	24 300	36 145
Amortization	929	901	16 642	17 189
Other expenses	176 288	160 315	446 013	381 264
Transfer - Capital Assets	-	-	-	(23 991)
Total expenses	201 517	197 361	486 955	410 607
Annual surplus (deficit)	(26 233)	(78 821)	26 292	5 850

	Total	
	2017	2018
Revenues:		
Federal government transfers	7 209 044	7 508 190
Provincial government transfers	979 026	707 467
Other revenues	4 128 731	4 742 316
Transfer - Capital Assets	(2 550 882)	(3 627 916)
Total revenues	9 765 919	9 330 057
Expenses:		
Salaries and fringe benefits	3 041 212	2 839 848
Debt servicing	150 108	131 055
Amortization	761 475	742 362
Other expenses	8 752 516	9 387 798
Transfer - Capital Assets	(2 550 882)	(3 627 916)
Total expenses	10 154 429	9 473 147
Annual surplus (deficit)	(388 510)	(143 090)

The segment disclosure is presented before elimination of revenues and expenses for consolidation purpose.

20. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation