

Consolidated Financial Statements of

SIX NATIONS OF THE GRAND RIVER

Year ended March 31, 2018

SIX NATIONS OF THE GRAND RIVER

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March 31, 2018

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Management's Responsibility for the Financial Statements

The accompanying financial statements of Six Nations of the Grand River ("Six Nations") as at and for the year end March 31, 2018 are the responsibility of Six Nations' management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards. A summary of the significant accounting policies are described in Note 1 to the financial statements.

Six Nations' management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

Six Nations Elected Council meets with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The financial statements have been audited by KPMG LLP, independent external auditors appointed by Six Nations. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on Six Nations' financial statements.

On behalf of the Six Nations Elected Council:

Chief Ava Hill

Dayle Bomberry, Senior Administrative Officer



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INDEPENDENT AUDITORS' REPORT

To the Six Nations Elected Council and Members of Six Nations of the Grand River

We have audited the accompanying consolidated financial statements of Six Nations of the Grand River, which comprise the consolidated statement of financial position as at March 31, 2018, the consolidated statements of operations, change in net financial assets and cash flows for the year then ended, and notes, comprising 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.

Auditors' 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 our 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, we consider 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 consolidated financial position of Six Nations of the Grand River as at March 31, 2018, and its consolidated results of operations and its consolidated change in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants,

Hamilton, Canada
July 30, 2018

SIX NATIONS OF THE GRAND RIVER

Consolidated Statement of Financial Position

March 31, 2018 with comparative information for 2017

	2018	2017
Financial assets:		
Cash	\$ 41,541,397	\$ 26,246,887
Investments (note 2)	24,811,248	24,565,152
Accounts receivable (note 3)	3,871,889	5,964,968
Housing loans receivable (note 4)	21,756,892	21,454,651
Other assets (note 5)	1,347,743	1,454,959
Investment in Six Nations Natural Gas Company Limited Partnership (note 6)	5,819,820	5,819,820
	<u>99,148,989</u>	<u>85,506,437</u>
Financial liabilities:		
Accounts payable and accrued liabilities	15,753,847	10,743,386
Deferred revenue (note 7)	12,133,838	7,976,849
Net long-term liabilities (note 10)	15,462,308	17,698,355
	<u>43,349,993</u>	<u>36,418,590</u>
Net financial assets	55,798,996	49,087,847
Non-financial assets:		
Tangible capital assets (note 11)	116,815,911	121,602,209
Inventory	75,447	127,803
Prepaid expenses	1,702,768	1,537,659
	<u>118,594,126</u>	<u>123,267,671</u>
Commitments (note 13)		
Contingencies (note 14)		
Accumulated surplus (note 12)	<u>\$ 174,393,122</u>	<u>\$ 172,355,518</u>

The accompanying notes are an integral part of these consolidated financial statements.

SIX NATIONS OF THE GRAND RIVER

Consolidated Statement of Operations

Year ended March 31, 2018, with comparative information for 2017

	Budget (note 18)	2018	2017
Revenues:			
User charges:			
Rental income	\$ 2,388,530	\$ 1,892,861	\$ 1,950,198
Accommodation charges	834,134	885,177	835,637
User charges	427,753	662,385	649,326
	3,650,417	3,440,423	3,435,161
Government transfers (note 16):			
Province of Ontario	20,104,844	32,823,562	28,646,862
Other federal Indigenous and Northern Affairs Canada (note 15)	12,509,863	8,477,965	9,725,689
	8,222,813	13,340,055	12,448,843
	40,837,520	54,641,582	50,821,394
Other:			
Ontario First Nations Limited Partnership Agreement	7,400,000	9,282,134	9,165,556
Rent and other land related revenue	8,289,303	4,637,140	6,048,303
Donations	-	86,120	666,884
Investment income	-	1,560,900	1,743,781
Equity in Six Nations Natural Gas Company Limited Partnership (note 6)	-	-	282,139
Grand River Employment and Training Inc.	-	189,489	206,151
Rent to own housing units	-	1,928,463	1,077,403
	15,689,303	17,684,246	19,190,217
Total revenues (note 17)	60,177,240	75,766,251	73,446,772
Expenses (notes 16 and 17):			
Corporate & Emergency Services & Committee of the Whole	18,051,069	15,546,197	14,368,549
Building & Infrastructure	5,396,781	9,619,949	12,413,598
Human and Emergency Services	43,961,834	46,325,946	38,000,467
Total expenses	67,409,684	71,492,092	64,782,614
Annual surplus of revenue over expenditures before the following:	(7,232,444)	4,274,159	8,664,158
Impairment loss on tangible capital assets	-	2,236,555	-
Annual surplus (deficit)	(7,232,444)	2,037,604	8,664,158
Accumulated surplus, beginning of year	172,355,518	172,355,518	163,691,360
Accumulated surplus, end of year	\$ 165,123,074	\$ 174,393,122	\$ 172,355,518

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

SIX NATIONS OF THE GRAND RIVER

Consolidated Statement of Change in Net Financial Assets

Year ended March 31, 2018, with comparative information for 2017

	Budget (note 18)	2018	2017
Annual surplus (deficit)	\$ (7,232,444)	\$ 2,037,604	\$ 8,664,158
Acquisition of tangible capital assets	-	(5,893,862)	(10,754,715)
Amortization of tangible capital assets	-	8,114,241	7,479,284
Gain on sale of tangible capital assets	-	-	(1,077,403)
Impairment loss on tangible capital assets	-	2,236,555	-
Proceeds on sale of tangible capital assets	-	329,364	1,311,497
Change in supplies of inventory	-	52,356	(64,376)
Change in prepaid expense	-	(165,109)	(869,714)
Change in net financial assets	(7,232,444)	6,711,149	4,688,731
Net financial assets, beginning of year	49,087,847	49,087,847	44,399,116
Net financial assets, end of year	\$ 41,855,403	\$ 55,798,996	\$ 49,087,847

The accompanying notes are an integral part of these consolidated financial statements.

SIX NATIONS OF THE GRAND RIVER

Consolidated Statement of Cash Flows

March 31, 2018 with comparative information for 2017

	2018	2017
Operating activities:		
Annual surplus	\$ 2,037,604	\$ 8,664,158
Items not involving cash:		
Amortization	8,114,241	7,479,284
Gain on sale of tangible capital assets	-	(1,077,403)
Equity in Six Nations Natural Gas Company Limited Partnership	-	(282,139)
Impairment loss on tangible capital assets	2,236,555	-
Change in non-cash assets and liabilities:		
Accounts receivable	2,093,079	170,421
Housing loans receivable	(302,241)	(846,075)
Other assets	107,216	16,402
Accounts payable and accrued liabilities	5,010,461	2,165,174
Deferred revenue	4,156,989	953,800
Inventory	52,356	(64,376)
Prepaid expenses	(165,109)	(869,714)
Net change in cash from operating activities	23,341,151	16,309,532
Capital activities:		
Proceeds on sale of tangible capital assets	329,364	1,311,497
Cash used to acquire tangible capital assets	(5,893,862)	(10,754,715)
Net change in cash from capital activities	(5,564,498)	(9,443,218)
Investing activities:		
Net change in investments	(246,096)	(447,427)
Financing activities:		
Net change in long-term liabilities	(2,236,047)	(1,931,182)
Net change in cash	15,294,510	4,487,705
Cash, beginning of year	26,246,887	21,759,182
Cash, end of year	\$ 41,541,397	\$ 26,246,887

The accompanying notes are an integral part of these consolidated financial statements.

SIX NATIONS OF THE GRAND RIVER

Notes to Consolidated Financial Statements

Year ended March 31, 2018

1. Significant accounting policies:

The consolidated financial statements of Six Nations of the Grand River ("Six Nations") are prepared by management in accordance with Canadian Public Sector Accounting Standards ("PSAS") as recommended by the Public Sector Accounting Board ("PSAB") of CPA Canada, and as required by Indigenous and Northern Affairs Canada ("INAC"). Significant accounting policies adopted by Six Nations are as follows:

(a) Basis of consolidation:

(i) Consolidated entities:

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to Six Nations and which are owned or controlled by Six Nations Council, except for Six Nations' government business enterprise (Six Nations Natural Gas Company Limited Partnership) which is accounted for on the modified equity basis of accounting as described in note 1 (f). These entities and organizations include:

H.C. Peatson Education
Ottawa Trust Fund
Economic Development Fund
Six Nations Commercial Leasing

Interdepartmental and inter-organizational transactions and balances between these organizations are eliminated upon consolidation.

(ii) Trust funds:

Trust funds and their related operations administered by Six Nations are not included in these financial statements.

(b) Basis of accounting:

Six Nations follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

(c) Investments:

Investments consist of bonds and interest bearing mutual funds and are recorded at cost. When there has been a loss in value that is other than a temporary decline in value, the respective investment is written down to recognize the loss.

SIX NATIONS OF THE GRAND RIVER

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

1. Significant accounting policies (continued):

(d) Housing loans receivable:

Housing loans receivable consist of loans to Six Nations' members and bear interest at the agreed upon rate per annum. Housing loans receivable are recorded at fair value, with the differences between fair value and face value recorded as grant expense. Interest on loans is recorded in the period earned. Housing loans receivable are considered impaired when management has determined that there is a reasonable doubt as to the ultimate collectability of principal and interest. At the end of each reporting period, Six Nations evaluates its housing loans receivable and establishes an allowance for doubtful accounts on a loan-by-loan basis for specifically identified probable losses on loans receivable.

(e) Other assets:

Other assets include a non-interest bearing loan receivable to the Six Nations Police is recognized at the present value of the principal payments using Six Nations' average cost of borrowing. The difference between the face amount of the loan and present value is amortized into income over the term of the loan.

(f) Investment in Six Nations Natural Gas Limited Partnership:

The Investment in Six Nations Natural Gas Limited Partnership ("SNNGLP") has been accounted for on a modified equity basis, consistent with the accounting treatment for government business partnerships. Under the modified equity basis, the business partnership's accounting principles are not adjusted to conform with those of Six Nations, and inter-organizational transactions and balances are not eliminated. Six Nations recognizes its equity interest in the annual income of SNNGLP in its Consolidated Statement of Operations with a corresponding increase in its investment asset account. Losses of SNNGLP are allocated to the general partner. Any dividends that Six Nations may receive will be reflected as reductions in the investment account.

(g) Non-financial assets:

Non financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

SIX NATIONS OF THE GRAND RIVER

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

1. Significant accounting policies (continued):

(g) Non-financial assets (continued):

(i) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land, are amortized on a straight line basis over their estimated useful lives as follows:

Asset	Useful Life - Years
Land improvements	10 - 40
Buildings and building improvements	4 - 40
Houses	25 - 40
Vehicles	10
Bridges	40
Machinery and equipment	5 - 25
Office equipment and furniture	2 - 10
Water and wastewater networks	12 - 65
Water and wastewater equipment	10 - 65
Roads infrastructure- Base	40
- Surface	20 - 30
Computer hardware and software	3
Leasehold improvements	over the term of the lease

Amortization commences in the month of acquisition. Assets under construction (work-in-progress) are not amortized until the asset is available for productive use. Assets are disposed of when they are no longer in use by Six Nations. Gains and/or losses on the disposal of an asset are recorded in the Consolidated Statement of Operations at time of disposal.

(ii) Contributions of tangible capital assets:

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

(iii) Intangible assets:

Intangible assets and natural resources that have not been purchased are not recognized as assets in the financial statements.

(iv) Interest capitalization:

Six Nations' tangible capital asset policy does not allow for the capitalization of interest costs associated with the acquisition or construction of a tangible capital asset.

SIX NATIONS OF THE GRAND RIVER

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

1. Significant accounting policies (continued):

(g) Non-financial assets (continued):

(v) Leases:

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases, whereby leased assets are valued at the present value of the future minimum lease payments and presented as tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenditures as incurred.

(vi) Inventory:

Inventories held for consumption are recorded at the lower of cost and replacement cost.

(h) Reserves and reserve funds:

Certain amounts, as approved by Six Nations' Council are set aside in reserves and reserve funds for future operating and capital purposes. Transfers to and/or from reserves and reserve funds are an adjustment to the respective fund when approved. Reserves and reserve funds are presented on the Consolidated Statement of Financial Position in accumulated surplus.

(i) Government transfers:

Government transfers received or receivable are recognized as revenue when the transfer is authorized, any eligibility criteria are met, and a reasonable estimate of the amount can be made unless they meet the definition of a liability. Government transfers paid are recognized as a liability and an expense when the transfer is authorized and all eligibility criteria have been met by the recipient.

Government transfers received relate to social services, child care, housing and health programs. Government transfers paid relate to social services programs.

(j) Housing loan guarantees

Certain mortgages held by members at a financial institution are guaranteed by Six Nations. If a member defaults on the loan, the full amount of the balance owing is set up as a liability on the Consolidated Statement of Financial Position and repaid in accordance with the terms set by the financial institution.

SIX NATIONS OF THE GRAND RIVER

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

1. Significant accounting policies (continued):

(k) Deferred revenue:

Deferred revenue represents revenues which have been collected but for which the related services have yet to be performed or eligible expenses incurred. Deferred revenue is comprised of general deferred revenue, security deposits for public works customers and rental clients, government transfers and project funding. These amounts are recognized as revenue when the funds are spent for the purpose intended.

(l) Investment income:

Investment income earned is reported as revenue in the period earned.

(m) User charges:

Rent is collected for the rental of apartments, townhomes, and houses. Rental income is recorded when it is earned. Provision is established for specifically identified probable losses on rental income.

'Home ownership' (Rent-to-own) income is classified as deferred revenue when received in accordance with PSAS, as amounts are deposited on future purchase. Revenue is recognized when the ownership of the property is transferred to the tenant of the property and is accounted for as a disposal of a tangible capital asset.

Accommodation charges are collected for room rentals at Iroquois Lodge. Accommodation charges are recognized when earned. Provisions are made for specifically identified losses on accommodation charges.

Other user charges are collected for water and septic services provided by the Public Works Department. Other user charges are collected when earned. Provisions are made for specifically identified losses on other usage charges.

(n) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant estimates include assumptions used in estimating provisions for accounts receivable, housing loans receivable, accrued liabilities and deferred revenue. Amounts recorded for amortization of tangible capital assets are based on estimates of useful service life. Actual results could differ from these estimates.

SIX NATIONS OF THE GRAND RIVER

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

1. Significant accounting policies (continued):

(o) Employee future benefits:

The Company has defined contribution plans providing pension benefits for its employees. The cost of the defined contribution plans is recognized based on the contributions required to be made during each period. Contributions are expensed in the period they are due.

2. Investments:

Investments reported on the consolidated statement of financial position have market values as follows:

	2018		2017	
	Cost	Market Value	Cost	Market Value
Investments	\$24,811,248	\$25,581,016	\$24,565,152	\$25,188,716

3. Accounts receivable:

Accounts receivable are reported net of a valuation allowance of \$1,201,297 (2017 - \$805,122).

4. Housing loans receivable:

Housing loans receivable represent principal and interest amounts currently owing. These loan agreements are secured by the members' reserve property, and are repayable over 25 years. The housing loans receivable on the consolidated statement of financial position, are made up of the following:

	2018	2017
Loans with interest at 0% per annum	\$ 581,912	\$ 678,469
Loans with interest at 4.64% per annum	792,000	-
Loans with interest at 7% per annum	20,992,763	21,265,965
Allowance for doubtful accounts	(609,783)	(489,783)
	<u>\$ 21,756,892</u>	<u>\$ 21,454,651</u>

Six Nations has provided interest free loans to members that meet certain criteria upon approval of Council. The loans with interest at 0% have a face value of \$679,600 (2017 - \$806,403). Additionally, Six Nations has approved further financing to specific members in the amount of \$971,159 (2017 - \$1,174,195), which has not been advanced at year-end.

5. Other assets:

Included in other assets is a loan receivable from Six Nations Police in the amount of \$570,130 (2017 - \$635,842), which does not bear interest. The loan is repayable in monthly principal payments of \$2,738 over a term of 35 years and is due in 2045. The face value of the loan is \$818,702 (2017 - \$884,414).

SIX NATIONS OF THE GRAND RIVER

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

6. Investment in Six Nations Natural Gas Company Limited Partnership:

The following provides condensed supplementary financial information for the operations of Six Nations Natural Gas Company Limited Partnership ("Six Nations Natural Gas") for the years ended March 31, 2018 and March 31, 2017. Six Nations owns an interest of 99% in Six Nations Natural Gas Company Limited Partnership and Six Nations Natural Gas Limited owns the remaining 1% interest.

Financial position:

	2018	2017
Current assets	\$ 1,182,369	\$ 1,833,164
Capital assets	4,970,096	4,541,518
Total assets	6,152,465	6,374,682
Current liabilities	441,355	482,712
Net assets	5,711,110	5,891,970
Six Nations Natural Gas Limited's interest in partnership	779,947	599,087
Government assistance treated as a capital transaction	(671,237)	(671,237)
Investment in Six Nations Natural Gas	\$ 5,819,820	\$ 5,819,820

Results of operations:

	2018	2017
Revenues (net)	\$ 1,562,078	\$ 1,511,967
Operating expenses	1,742,938	1,657,068
Net loss	(180,860)	(145,101)
Six Nations Natural Gas Limited's interest	180,860	145,101
Net loss – Six Nations Natural Gas	\$ -	\$ -

Investment in Six Nations Natural Gas:

	2018	2017
Opening balance	\$ 5,819,820	\$ 5,537,681
Net loss	-	-
Correction of prior year	-	282,139
Closing balance – Investment in Six Nations Natural Gas	\$ 5,819,820	\$ 5,819,820

SIX NATIONS OF THE GRAND RIVER

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

7. Deferred revenue:

Deferred revenues reported on the Consolidated Statement of Financial Position are made up of the following:

	2018 Deposits	2018 Rent-to-own properties	2018 Other deferred revenue	Total
Balance, beginning of year	\$ 119,220	\$ 4,239,829	\$ 3,617,800	\$ 7,976,849
Deposits collected	74,426	-	-	74,426
Housing payments	-	2,325,516	-	2,325,516
Federal funding	-	-	2,154,073	2,154,073
Other	-	-	83,049	83,049
Provincial funding	-	-	6,742,857	6,742,857
	193,646	6,565,345	12,597,779	19,356,770
Less:				
Deposits returned	12,111	-	-	12,111
Contributions used in operations	-	3,373,365	3,837,456	7,210,821
	12,111	3,373,365	3,837,456	7,222,932
Balance, end of year	\$ 181,535	\$ 3,191,980	\$ 8,760,323	\$12,133,838

	2017 Deposits	2017 Rent-to-own properties	2017 Other deferred revenue	Total
Balance, beginning of year	\$ 93,844	\$ 5,114,910	\$ 1,814,295	\$ 7,023,049
Deposits collected	39,866	-	-	39,866
Housing payments	-	378,460	-	378,460
Federal funding	-	-	2,223,162	2,223,162
Other	-	-	24,000	24,000
Provincial funding	-	-	50,000	50,000
	133,710	5,493,370	4,111,457	9,738,537
Less:				
Deposits returned	14,490	-	-	14,490
Contributions used in operations	-	1,253,541	493,657	1,747,198
	14,490	1,253,541	493,657	1,761,688
Balance, end of year	\$ 119,220	\$ 4,239,829	\$ 3,617,800	\$ 7,976,849

SIX NATIONS OF THE GRAND RIVER

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

7. Deferred revenue (continued):

Deferred revenue for deposits includes payments made from customers of public works and Housing prepaid security deposits from rental clients.

Rent-to own properties includes home ownership payments with regards to Sale Agreements for residential properties. Other deferred revenue includes funds (donation and project funding) received for specific purposes and will be recognized as revenue when the related expenditures for the purpose specified have been incurred.

8. Employee benefits and other liabilities:

Six Nations provides to substantially all of its employees a defined contribution pension plan. The plan is a contributory plan with funding of benefits based on the related employee's earnings. Six Nations matches employee contributions to a maximum of 4.05%. Six Nations recognized an expense during the year related to its portion of the contributions of \$882,896 (2017 - \$787,245).

9. Related party transactions:

	2018	2017
Six Nations Development Corporation:		
Lease payments received	\$ 664,121	\$ 664,121
Loan repayments received	555,362	555,362
<hr/>		
Six Nations Development Corporation:		
Operating expenses paid	\$ (872,154)	\$ (427,000)

Six Nations collects loan repayments related to the debt owing on the Bingo Hall and remits to the lender on behalf of the Development Corporation in the same amount. The remaining transactions are carried out at arms-length through the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Additionally, Six Nations acts as a flow-through entity between Indigenous and Northern Affairs Canada and Ganohkwa Sra and Grand River Post-Secondary. Annual funding is provided to Six Nations for distribution to these entities equal to the full amount received.

SIX NATIONS OF THE GRAND RIVER

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

10. Net long-term liabilities:

The balance of net long-term liabilities reported on the consolidated balance sheet is made up of the following:

	2018	2017
Bank of Montreal, interest rates ranging from 2.57% to 2.73% with principal payments of \$46,979 monthly, maturing between June 2019 and January 2023. Amount is unsecured.	\$ 5,197,557	\$ 10,199,203
Bank of Montreal, interest rates at 3.67% with principal payments of \$21,789 monthly, maturing June 2029.	3,659,028	10,784
First Nations Bank of Canada, interest accrued at 2.72% with principal payments of \$5,146 monthly, maturing August 2017. Amount is guaranteed by Indigenous and Northern Affairs Canada.	-	334,804
Royal Bank of Canada, interest rates ranging from 2.40% to 2.72% with principal payments of \$32,164 monthly, maturing between March, 2019 and April 2022. Amount is secured by a general security agreement.	2,903,344	3,193,362
Canada Mortgage and Housing Corporation, interest rates ranging from 1.05% to 1.37% with principal payments of \$19,147 monthly, maturing between July 2020 and June 2021. Amount is guaranteed by Indigenous and Northern Affairs Canada.	3,702,379	3,960,202
Net long-term liabilities, end of year	\$ 15,462,308	\$ 17,698,355

SIX NATIONS OF THE GRAND RIVER

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

10. Net long-term liabilities (continued):

Principal payments, due in each of the next five years and thereafter, are as follows:

2019	\$	1,533,468
2020		1,359,753
2021		1,395,208
2022		4,096,612
2023		1,081,403
Thereafter		5,995,864
		<hr/>
	\$	15,462,308

Total interest on net long-term liabilities which are reported on the consolidated statement of operations amounted to \$378,766 in 2018 (2017 - \$471,923).

SIX NATIONS OF THE GRAND RIVER

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

11. Tangible capital assets:

March 31, 2018	Cost			Amortization			Net book value, end of year			
	balance, beginning of year	Additions	Transfer from WIP	Disposals	Balance, end of year	balance, beginning of year		Amortization expense	Balance end of year	
Land and land improvements	\$ 9,619,250	\$ 986,303	\$ -	\$ -	\$ 10,605,553	\$ 2,456,374	\$ -	\$ 687,803	\$ 3,144,177	\$ 7,461,376
Building and building improvements	111,376,777	374,674	-	(1,700,263)	110,051,188	41,858,450	(1,370,900)	3,414,953	43,902,503	66,148,685
Vehicles, machinery and equipment	27,939,553	1,588,285	-	(291,609)	29,236,229	13,183,327	(291,609)	2,209,521	15,101,239	14,134,990
Water and wastewater infrastructure	12,083,990	-	-	-	12,083,990	4,507,741	-	255,482	4,763,223	7,320,767
Roads infrastructure	39,597,406	36,628	-	-	39,634,034	23,266,187	-	1,099,608	24,365,795	15,268,239
Office equipment, furniture and computers	4,925,265	336,930	-	(21,395)	5,240,800	3,722,993	(21,395)	446,875	4,148,473	1,092,327
Work-in-progress	5,055,040	2,571,042	-	(2,236,555)	5,389,527	-	-	-	-	5,389,527
Total	\$ 210,597,281	\$ 5,893,862	\$ -	\$ (4,249,822)	\$ 212,241,321	\$ 88,995,072	\$ (1,683,904)	\$ 8,114,242	\$ 95,425,410	\$ 116,815,911

March 31, 2017	Cost			Amortization			Net book value, end of year			
	balance, beginning of year	Additions	Transfer from WIP	Disposals	Balance, end of year	balance, beginning of year		Amortization expense	Balance end of year	
Land and land improvements	\$ 9,107,005	\$ 512,245	\$ -	\$ -	\$ 9,619,250	\$ 2,044,904	\$ -	\$ 411,470	\$ 2,456,374	\$ 7,162,876
Building and building improvements	106,873,079	263,896	5,230,023	(990,221)	111,376,777	39,290,247	(796,127)	3,364,330	41,858,450	69,518,327
Vehicles, machinery and equipment	25,579,340	2,459,097	-	(98,884)	27,939,553	11,177,697	(58,884)	2,064,514	13,183,327	14,756,226
Water and wastewater infrastructure	10,767,531	1,316,459	-	-	12,083,990	4,285,170	-	222,571	4,507,741	7,576,249
Roads infrastructure	35,527,683	3,204,941	864,782	-	39,597,406	22,279,159	-	987,028	23,266,187	16,331,219
Office equipment, furniture and computers	4,325,173	600,092	-	-	4,925,265	3,293,621	-	429,372	3,722,993	1,202,272
Work-in-progress	8,751,860	2,397,985	(6,094,805)	-	5,055,040	-	-	-	-	5,055,040
Total	\$ 200,931,671	\$ 10,754,715	\$ -	\$ (1,089,105)	\$ 210,597,281	\$ 82,370,798	\$ (855,011)	\$ 7,479,285	\$ 88,995,072	\$ 121,602,209

SIX NATIONS OF THE GRAND RIVER

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

11. Tangible capital assets (continued):

Work in progress

Work in progress assets having a value of \$5,389,527 (2017 - \$5,055,040) have not been amortized. Amortization of these assets will commence when the assets are put into service.

Contributed Tangible Capital Assets

Contributed capital assets have been recognized at fair market value at the date of contribution. There have been no contributed assets received during the year or prior year.

Tangible Capital Assets Disclosed at Nominal Values

Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value. Land is the only category where nominal values were assigned, other than described below.

Works of Art and Historical Treasures

Six Nations holds several historical buildings which are recorded at nominal value.

12. Accumulated surplus:

Accumulated surplus consists of balances as follows at March 31:

	2018	2017
Surplus:		
Invested in tangible capital assets	\$ 101,353,603	\$ 103,903,854
Operating fund	35,440,887	25,777,234
	<u>136,794,490</u>	<u>129,681,088</u>
Reserve funds set aside by Six Nations Elected Council:		
Ontario First Nations Limited Partnership Agreement	24,789,936	26,425,266
Central Administration	3,993,328	7,542,108
Day care	443,626	445,298
Economic development	67,703	67,703
Economic development fund	2,198,884	1,997,437
Fire	50,365	90,495
Health services	766,297	750,245
Housing	2,533,121	2,495,423
Iroquois lodge	85,953	72,553
Public works	893,874	1,014,030
Social and correctional services	1,775,545	1,773,872
	<u>37,598,632</u>	<u>42,674,430</u>
	<u>\$ 174,393,122</u>	<u>\$ 172,355,518</u>

SIX NATIONS OF THE GRAND RIVER

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

13. Commitments:

- (a) Six Nations has outstanding contractual obligations totaling approximately \$46,450,000 (2017 - \$41,450,000) outlined as follows by project:

	2018	2017
Housing Loans Guarantees with RBC and BMO	\$ 30,000,000	\$ 25,000,000
Six Nations Development Corporation loan guarantees for Wind and Solar projects	16,450,000	16,450,000
Total commitments authorized	\$ 46,450,000	\$ 41,450,000

At March 31, 2018, the amount utilized and outstanding of the loan for the Six Nations Development Corporation loan guarantees for the Wind and Solar projects was \$4,590,531 (2017 - \$5,008,562).

- (b) Six Nations has at March 31, 2018 approved funding of community, cultural development, economic development, education and health projects in the amounts of \$6,364,463, \$324,767, \$37,874, \$735,551 and \$311,197 respectively through the Ontario First Nations Limited Partnership Agreement funds.
- (c) Minimum annual lease payments:

Six Nations rents vehicles and equipment under operating leases with minimum annual lease payments for the years ending March 31 as follows: (update)

2018	\$ 123,150
2019	127,775
2020	122,100
2021	122,100
2022	122,100
Thereafter	193,325
	\$ 810,550

14. Contingencies:

Six Nations has been named as a defendant in two legal claims. Council is of the opinion that there is a strong defense against these claims and is defending the claims. At this time it is not possible to determine the outcome of these claims. Accordingly, no provision for losses has been reflected in the accounts of Six Nations for these matters. Council does not anticipate that the impact, if any will be material to the financial statements.

SIX NATIONS OF THE GRAND RIVER

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

15. Indigenous and Northern Affairs Canada:

	2018	2017
Base budget	\$ 26,139,822	\$ 24,217,677
Less non-consolidated entities:		
Grand River Post Secondary Education Office	(8,873,036)	(7,886,628)
Ganohkwa Sra	(1,063,984)	(1,180,249)
Six Nations Development Corporation	-	(761,200)
Gawenni:yo	(1,736,662)	(1,529,711)
	(11,673,682)	(11,357,788)
Less current year deferred revenue:		
Six Nations of the Grand River	(2,851,093)	(947,357)
Add prior year deferred revenue:		
Six Nations of the Grand River	947,360	508,873
Other adjustments:		
Six Nations of the Grand River	777,648	27,438
	\$ 13,340,055	\$ 12,448,843

SIX NATIONS OF THE GRAND RIVER

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

16. Government transfers:

The Government transfers reported on the Statement of Operations are:

	2018	2017
Revenue:		
Indigenous and Northern Affairs Canada:		
Economic development and housing	\$ 164,702	\$ 139,796
Education	690,290	466,630
Fire	1,254,995	2,564,272
General government	2,653,123	1,709,198
Health services	246,313	223,200
Iroquois lodge	229,468	224,011
Lands and resources	142,355	110,714
Membership	607,223	595,944
Parks and recreation	300,711	37,119
Public works	5,666,997	4,850,565
Social, correctional services and day care	501,508	363,103
Welfare	882,370	1,164,291
	<u>13,340,055</u>	<u>12,448,843</u>
Other federal:		
Economic development and housing	674,867	1,549,160
General government	-	24,140
Health services	6,747,936	7,187,595
Iroquois lodge	-	31,391
Lands and resources	5,205	-
Public works	166,850	27,059
Social, correctional services and day care	883,107	906,344
	<u>8,477,965</u>	<u>9,725,689</u>
Province of Ontario:		
General government	749,980	456,480
Health services	9,802,485	8,515,124
Iroquois lodge	2,458,107	2,146,263
Lands and resources	338,932	197,200
ONFLP	-	2,755
Parks and recreation	24,139	62,824
Public works	632,210	1,928,082
Social, correctional services and day care	11,674,861	8,375,873
Welfare	7,142,848	6,962,261
	<u>32,823,562</u>	<u>28,646,862</u>
Total revenues	\$ 54,641,582	\$ 50,821,394

SIX NATIONS OF THE GRAND RIVER

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

16. Government transfers (continued):

	2018	2017
Expenses:		
Welfare payments	\$ 5,488,171	\$ 5,873,959

17. Segmented information:

Segmented information has been identified based upon functional areas by Six Nations. The functions have been separately disclosed in the segmented information as follows:

(i) Corporate and Emergency Services and Committee of the Whole:

Corporate and Emergency Services and Committee of the Whole consists of fire services and the general management of Six Nations, including adopting bylaws and policy, and providing administrative, human resources, information technology, and communication support, and financial services and programs that benefit the community as a whole such as land claims and Ontario First Nations Limited Partnership Agreement funds.

(ii) Building and Infrastructure:

Building and Infrastructure is responsible for the physical assets of the community and to generate economic development within the community. It includes planning, design, operation and maintenance of the roadway system; street lights; the engineering and operation of the water and wastewater systems and waste management. Additionally, Six Nations is committed to providing and advocating for secure, affordable housing in Six Nations, and buildings for commercial lease.

(iii) Human and emergency services:

Human and emergency services offer a range of programs related to wellbeing of the community. Included in human and emergency services are: lands and memberships; health services that includes protection and promotion, disease and injury prevention; and ambulance services; day care; welfare and innovations; social and correctional services; the maintenance and operation of parks and open space; and the Iroquois Lodge.

SIX NATIONS OF THE GRAND RIVER

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

17. Segmented information (continued):

Certain allocation methodologies are employed in the preparation of segmented information. User charges and other revenue have been allocated to the segments based upon the segment that generated the revenue. Government transfers have been allocated to the segment based upon the purpose for which the transfer was made. Investment income has been allocated based on the segment that holds the related investment.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1.

Note: User charges include facility rental fees, water & sewage charges, septic rentals and lodge accommodations.

March 31, 2018	Corporate and emergency services and Committee of the Whole	Building and infrastructure	Human and emergency service	Total
Revenues:				
User charges	\$ -	\$ 2,136,948	\$ 1,303,475	\$ 3,440,423
Government transfers:				
INAC	6,230,355	5,831,700	1,278,000	13,340,055
Other federal	5,203	841,717	7,631,045	8,477,965
Province of Ontario	8,223,485	635,770	23,964,307	32,823,562
Investment income	477,618	1,078,641	4,641	1,560,900
Equity in Six Nations Natural Gas Company Limited Partnership				
Other	13,010,029	2,083,396	1,029,921	16,123,346
Total revenues	27,946,690	12,608,172	35,211,389	75,766,251
Expenses:				
Salaries, wages and employee benefits	5,103,701	2,597,181	24,421,914	32,122,796
Operating expenses	9,508,965	4,458,920	16,908,404	30,876,289
Debt services	189,824	181,144	7,798	378,766
Amortization	743,707	2,382,704	4,987,830	8,114,241
Impairment loss on tangible capital assets	2,236,555	-	-	2,236,555
Total expenses	17,782,752	9,619,949	46,325,946	73,728,647
Annual surplus	\$ 10,163,938	\$ 2,988,223	\$ (11,114,557)	\$ 2,037,604

SIX NATIONS OF THE GRAND RIVER

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

17. Segmented information (continued):

March 31, 2017	Corporate and emergency services and Committee of the Whole	Building and infrastructure	Human and emergency service	Total
Revenues:				
User charges	\$ -	\$ 2,186,602	\$ 1,248,559	\$ 3,435,161
Government transfers:				
INAC	5,243,677	4,990,361	2,214,805	12,448,843
Other federal	24,140	1,576,219	8,125,330	9,725,689
Province of Ontario	656,435	1,928,082	26,062,345	28,646,862
Investment income	674,275	1,049,813	19,693	1,743,781
Equity in Six Nations				
Natural Gas Company Limited Partnership	282,139	-	-	282,139
Other	12,785,141	1,480,447	2,898,709	17,164,297
Total revenues	19,665,807	13,211,524	40,569,441	73,446,772
Expenses:				
Salaries, wages and employee benefits	4,186,036	1,144,307	22,562,808	27,893,151
Operating expenses	9,517,849	5,401,520	14,018,887	28,938,256
Debt services	253,344	207,945	10,634	471,923
Amortization	411,320	5,659,826	1,408,138	7,479,284
Total expenses	14,368,549	12,413,598	38,000,467	64,782,614
Annual surplus	\$ 5,297,258	\$ 797,926	\$ 2,568,974	\$ 8,664,158

SIX NATIONS OF THE GRAND RIVER

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

18. Budget data:

The budget data presented in these consolidated financial statements are based upon the 2018 operating and capital budgets approved by Six Nations Council. The chart below reconciles the approved budget to the budget figures reported in these consolidated financial statements. Budgets established for tangible capital asset acquisitions are on a project-oriented basis, the costs of which may be carried out over one or more years. As such, it is not practical to present annualized budget information for the acquisition of tangible capital assets on the statement of change in net financial assets.

	Budget Amount
Revenues:	
Operating (budget)	\$ 52,777,240
Add:	
Ontario First Nations Limited Partnership Agreement	7,400,000
Total revenue	60,177,240
Expenses:	
Operating (budget)	59,409,684
Add:	
Amortization	8,000,000
Total expenses	67,409,684
Annual deficit	\$ (7,232,444)

SIX NATIONS OF THE GRAND RIVER

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

19. Salaries and travel expenses paid to senior officials:

Salaries and travel expenses paid to senior officials included in the consolidated financial statements are as follows:

	Position	Number of months	Salary range per annum	Travel expenses
Dayle Bomberry	Senior Administrative Officer	12	\$ 89,000 – 179,000	\$ 830
Gary Phillips	Director of Finance	12	99,000 – 157,325	311
Lonny Bomberry	Director of Lands and Resources	12	65,000 – 95,000	5,016
Lori Davis Hill	Director of Health Services	12	75,000 – 149,000	2,993
Mike Montour	Director of Public Works	12	65,000 – 95,000	1,491
Arliss Skye	Director of Social Services	12	65,000 – 95,000	5,301
Sandy Porter	Director of Ontario Works	12	65,000 – 95,000	14,771
Cheryl Henhawk	Director of Parks and Recreation	12	65,000 – 95,000	-
Karen Bomberry	Director of Housing	12	65,000 – 95,000	-
Matthew Miller	Fire Chief	12	65,000 – 95,000	26,172
Janice Burning	Manager, Lands and Membership	12	65,000 – 95,000	10,967

SIX NATIONS OF THE GRAND RIVER

Notes to Consolidated Financial Statements

Year ended March 31, 2018

20. Salaries, honoraria and travel expenses paid to elected senior officials:

Salaries, honoraria and travel expenses paid to senior officials included in the consolidated financial statements are as follows:

	Honorarium	Life and health	Travel honorarium	Reimbursement	Travel expense	Total expense
Chief Ava Hill	\$ 76,500	\$ 1,148	\$ 675	\$ (2,799)	\$ 39,182	\$ 114,706
Terry General	41,200	516	5,250	-	18,935	65,901
Carl Hill	41,200	4,498	2,250	(578)	17,976	65,346
David Hill	41,200	1,148	-	-	1,729	44,077
Mark Hill	41,200	1,391	750	-	7,525	50,866
Charles Wayne Martin	41,200	216	2,250	-	13,552	57,218
Audrey Powless-Bomberry	41,200	3,004	6,900	(2,242)	23,002	71,864
Hazel Johnson	41,200	2,250	3,150	-	9,148	55,748
Sherri-Lynn Hill Pierce	41,200	2,882	1,650	-	9,474	55,206
Robert Johnson	31,692	1,933	900	-	4,573	39,098
Kerry Bomberry	3,170	-	-	-	-	3,170
Wray Maracle	41,200	4,498	4,500	(1,448)	16,564	65,314
Helen Miller	41,200	997	-	-	3,630	45,827
Melba Thomas	41,200	1,088	2,700	-	10,176	55,164
Total Chief and Councilors	\$ 564,562	\$ 25,569	\$ 30,975	\$ (7,067)	\$ 175,466	\$ 789,505

Travel expense includes out-of-pocket expenses such as accommodation, airfare, mileage, meals and incidentals. The amounts included above do not include reimbursements from event sponsors.